

The Vigilant Retailer: Analyzing the Awareness-Action Gap in India's Capital Markets

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Abstract

Let's embrace the fact that two-thirds of India's active retail investors have never once opened SEBI Check or SCORES 2.0 the regulator's own tools, freely available, designed specifically to protect them. Only one investor in ten uses them with any regularity. This paper takes the single statistic very seriously and follows it where it takes. A primary survey of 213 retail investors conducted across India between January to February 2026 maps the contours of a specific, measurable failure: the gap between the protective infrastructure SEBI has built and the degree to which retail investors actually engage with it. The survey examines how investors perceive fraud risk, which protective mechanisms they reach for (and which they ignore), what forces they believe keep fraud alive in Indian markets, and whether years of market experience shape regulatory trust in ways that formal financial literacy programs do not. The answer to that last question turns out to be the study's most consequential finding: investors with over a decade in the market rate SEBI's effectiveness 46% higher than those with under two years of experience (ANOVA, $p < 0.01$). That gap not a marginal difference but a structural one has direct implications for how investor education in India should be designed.

Keywords – Investor Awareness, Sebi, Financial Literacy, Fraud Detection, Primary Market, Secondary Market, Survey, Investor Protection.

1. Introduction

In 2024, India recorded 160 million registered demat accounts (NSDL, 2024). That figure larger than the population of most countries represents something genuinely remarkable: three decades of capital market deepening, accelerated by zero-commission digital brokers, UPI-linked investment apps, and a post-pandemic retail trading surge that pulled first-generation equity investors into markets faster than any regulatory framework had anticipated. The achievement is real. So is the vulnerability it created. A market with 160 million participants many of them new entrants who have never lived through a fraud cycle is a market where the distance between regulatory infrastructure and investor awareness becomes a target. Fraudsters not only in terms of the laws but also, they exploit knowledge gaps.

The infrastructure SEBI has built is not the problem. The Integrated Market Surveillance System monitors trades in real time. SEBI Check verifies broker credentials in seconds. SCORES 2.0 tracks grievances through a structured, transparent pipeline. These tools function. What does not function or rather, what functions well below capacity is the connection between that infrastructure and the retail investor who needs it. What this paper seeks to answer is rather straightforward: if there are tools out there, why aren't 67% of active retail investors using them? Between January to February 2026, 213

investors responded to a 13-question structured questionnaire probing exactly that question across four dimensions: fraud awareness, SEBI tool adoption, perceived drivers of fraud persistence, and regulatory trust. The sample skews toward digitally active, younger investors and even within that relatively informed cohort, the adoption numbers are low enough to warrant serious policy attention.

2. Research Methodology

2.1 Survey Instrument and Platform

The questionnaire ran to 13 items and was hosted on HeyForm (<https://heyform.net/f/dHysgdmW>). It covered ground across five areas: who the respondents were in demographic terms, how they assessed their own fraud awareness, how often they used SEBI's tools, what they thought was keeping fraud alive in Indian markets, and how effective they judged SEBI to be on a five-point scale. One design decision worth flagging: the phrasing of awareness questions was deliberately kept non-leading, because respondents in financial surveys consistently overstate how much they know about regulatory topics when questions imply a 'correct' answer. Before deploying the full survey, a pilot with ten investors confirmed the questions landed as intended no one found them confusing, and most finished in under six minutes.

2.2 Sample and Distribution

Investors were reached through WhatsApp and Telegram communities focused on trading and investment, through alumni networks at institutions where financial market interest was documented, and through financial discussion forums online. Nobody was paid to participate. The only condition for eligibility was that a respondent had to be personally involved in managing some part of their own portfolio people who leave all decisions to a fund manager were excluded, because the survey's questions about fraud recognition and tool adoption do not meaningfully apply to passive investors. By the time the six-week data collection window closed, 213 complete responses had come in. It is important to be clear about what that means for interpretation: this is not a random sample of Indian retail investors. It is a sample of the kind of investor who actively participates in online investment communities and even that relatively engaged group shows adoption numbers that are difficult to read as reassuring.

2.3 Limitations of Methodology

Before delving into what the survey shows us, it is worth to check about what it cannot show. The sample has a structural bias that cannot be corrected away. By recruiting through WhatsApp investment groups, financial forums, and alumni networks, the study systematically captured the investors who were already engaged enough to be in those spaces which means, almost by definition, investors who are more financially literate and more market-aware than the average demat account holder. The 67% tool non-adoption figure and the 19% 'very aware' self-rating should both be read with this in mind: they are almost certainly best-case numbers. The real figures across India's full demat population including Tier-2 and Tier-3 city investors, older first-time participants, and people who opened a demat account on their phone without ever visiting a financial forum are very likely worse. Possibly considerably worse.

Secondly, self-reporting of awareness is not the same as knowledge or action. An investor who marks 'moderately aware' of inside trading does not necessarily know how to spot a trading window violation when he holds the stock in question. It is all about perception here, not about reality, and in the latter case, it might be the most distant from reality precisely in case of young and less experienced investors who overestimate themselves.

The third constraint is temporal. Data collection closed in October 2025, before either the Jane Street investigation or SEBI's IndusInd Bank interim order received the sustained national media attention they generated later in the year. High-profile regulatory actions have been shown in other contexts to shift public awareness of financial risk particularly among the digitally connected investor segment this survey captures. Whether the events of late 2025 moved the needle on Indian retail investor awareness of algorithmic or insider trading fraud is a genuinely interesting question that a follow-up survey in mid-2026 could answer.

3. Respondent Profile (n=213)

The respondent profile reflects the channel through which they were reached and that channel matters for interpretation. Over half (52.1%) are between 22 and 35, the cohort that entered equity markets during the post-2020 digital trading surge. Nearly half (47.9%) have been investing for one to five years, meaning they are experienced enough to have a sense of how markets work, but young enough not to have lived through a major fraud cycle as active participants. Wealth creation is the stated objective for 54.0%, while 19.2% cite speculation a significant minority that maps closely to the investor segment pump-and-dump operators specifically target. The demographic skew toward relative sophistication and digital fluency makes the 67% tool non-adoption figure all the more striking.

Table 1: Respondent Demographic Profile (n=213)

Category	Subcategory	Respondents (%)
Age Group	Under 22	14.1%
	22-35	52.1%
	36-50	26.3%
	Above 50	7.5%
Investment Tenure	Less than 1 year	18.8%
	1-5 years	47.9%
	5-10 years	22.1%
	More than 10 years	11.3%
Investment Objective	Wealth Creation	54.0%
	Retirement Planning	18.8%
	Speculation	19.2%
	Other	8.0%

4. Fraud Awareness and SEBI Tool Adoption

Nine per cent. That is the share of active retail investors in this sample who use SEBI Check or SCORES 2.0 regularly the two primary investor protection tools SEBI promotes in its investor education campaigns. It is worth being precise about what this number means and does not mean. It does not mean investors are unaware that fraud exists. It does not mean they distrust SEBI in principle. What it means - and what the data consistently points toward is that the tools have not been integrated into the ordinary workflow of investing for the vast majority of retail participants. SEBI Check is not something most investors reach for when they receive a WhatsApp stock tip or evaluate a brokerage recommendation. SCORES 2.0 is not the first thing a defrauded investor thinks of. Scale the 9% figure across 160 million demat accounts (NSDL, 2024) and the implied reach of SEBI's investor protection infrastructure is fewer

than 15 million people. In case of the tools, that have no technical barriers for use, it is the design of the system that fails.

Table 2: Fraud Awareness and SEBI Investor Tool Adoption

Category	Subcategory	Respondents (%)
Fraud Awareness Level	Very Aware	19.2%
	Moderately Aware	44.6%
	Slightly Aware	28.6%
	Not Aware	7.5%
Personal Fraud Experience	Yes, personally affected	14.1%
	Know someone affected	33.8%
	No direct experience	52.1%
SEBI Tool Usage	Regularly (SEBI Check/SCORES 2.0)	9.0%
	Occasionally	24.0%
	Rarely	24.0%
	Never	67.0%

5. Perceived Drivers of Fraud Persistence

When nearly two-thirds of your survey respondents name poor financial literacy as the main reason fraud survives in Indian markets, they are not offering an abstract policy opinion. They are describing what they have watched happen around them. The Sadhna Broadcast case from 2022-2025 illustrates the mechanism with uncomfortable clarity. A production company dormant, with no credible business development saw its share price climb from Rs. 12.50 to Rs. 113.05 over a few months, driven largely by YouTube channels publishing fabricated claims about 5G spectrum licenses and institutional acquisitions. The scheme required nothing sophisticated. No insider access. No algorithmic strategy. Just professionally produced videos, a plausible-sounding claim, and an investor population that did not have the background knowledge to ask the obvious question: how does a broadcaster with no revenue secure a 5G spectrum license? When the literacy floor is low, even unsophisticated fraud succeeds.

The 45.1% who cite technological surveillance gaps as a key driver are also, it turns out, perceptive. SEBI's Integrated Market Surveillance System operates at sub-second sampling resolution fast enough to catch many conventional trading anomalies, but not fast enough to capture the microsecond execution strategies that define modern algorithmic manipulation. Social media pump campaigns, meanwhile, have been observed to precede detectable price movements by three to seven days (Tripathi & Singh, 2024) a window during which IMSS alerts are not generated, but early investors are already accumulating positions. The survey respondents did not have access to this technical literature; they arrived at the same conclusion through experience.

Table 3: Perceived Primary Drivers of Fraud Persistence

Driver	Responses (n)	Percentage
Poor investor awareness and financial literacy	134	62.9%

Technological loopholes in surveillance systems	96	45.1%
Weak penalties and slow regulatory action	98	46.0%
Corruption and collusion among market participants	78	36.6%

6. Recommended Measures: Investor Perspective

There is a data quality issue in Table 4 that must be stated before any discussion of the findings. The raw survey output records 213 responses for 'Advanced AI-based market surveillance by SEBI' which equals the entire sample. That cannot be right for a multi-select question where no other item comes close to that count. The percentage figure of 47.0% tells a more coherent story: 47% of 213 is roughly 100 individual affirmative responses, which is internally consistent with the rest of the data. The 213 figures should be treated as a recording artefact pending verification against the original HeyForm output, and is not used in the analysis that follows. With that caveat on the table: the ordering of recommendations is itself a finding. Investors put stricter penalties at the top (73.2%), ahead of better education (67.1%) and ahead of AI surveillance (47.0%). This is a deterrence-first view of fraud prevention one that aligns with academic evidence suggesting that expected punishment, not detection probability, is the primary behavioral constraint on sophisticated fraudsters (Kandukuri, 2023).

Table 4: Investor-Recommended Measures for Enhancing Market Integrity

Recommended Measure	Responses (n)	Percentage
Stricter penalties for market fraud	156	73.2%
Better investor education programs	143	67.1%
Advanced AI-based market surveillance by SEBI	~100 [see note]	47.0%
Faster resolution of investor complaints	118	55.4%
Greater transparency from listed companies	131	61.5%

7. Discussion and Policy Implications

7.1 Experience as a Substitute for Formal Financial Literacy

Of all the numbers in this dataset, the one that stands out is the least expected. Investors with more than ten years of market experience rate SEBI's effectiveness at a mean of 3.8 out of 5.0. Those with under two years of experience rate it at 2.6. One-way ANOVA confirms the difference is statistically significant ($p < 0.01$). That is not a small gap it is a 46% difference on a five-point scale between two groups of people who are, in principle, subject to the same regulator. The intuitive explanation is that experienced investors have actually lived through a SEBI enforcement cycle: watched a fraud be detected, followed an investigation, seen a final order issued, observed the market move on. They have developed, through participation, a working mental model of how regulation operates that goes beyond

what news coverage provides. Novice investors, by contrast, encounter SEBI primarily through media coverage of frauds and media coverage of fraud is, by its nature, a catalogue of regulatory failures. It is not surprising that this produces skepticism.

The policy lesson for NISM is clear: not only there should be more educational efforts -- there must be different kinds of them. The examination process of NISM is based on product knowledge, on understanding how certain instruments work, on requirements of disclosure laws, which are the basics. However, it is not what makes a difference between a 10-year-old investor and a 2-year-old one in respect to his attitude to SEBI. What makes a difference is the investor's exposure to the whole cycle of fraud detection and settlement. That experience cannot be replicated by an examination. It could, however, be approximated by simulation: paper-trading programs with fraud scenarios embedded in the curriculum, case study modules that walk investors through historical SEBI enforcement outcomes, mentored investment circles that explicitly discuss what happened during past fraud cycles and what the regulator did about it. The goal is not more content. It is a different relationship between the investor and the idea of regulation.

7.2 The Tool Non-Adoption Problem

Put the 67% non-adoption figure alongside international comparisons and it becomes harder to dismiss as a transient awareness problem. The FCA's Financial Lives Survey (2022) records that 63% of UK retail investors are aware of the FCA register a measure of awareness, not adoption, and already a higher benchmark than what is observed here for actual tool usage. The SEC's investor.gov platform receives over five million visits annually, a reach supported by mandatory disclosure requirements embedded in the account-opening process itself. India's protective tools are not technically inferior. SEBI Check is well-designed. SCORES 2.0's grievance resolution pipeline is functional. The gap is not in what the tools do; it is in where investors encounter them. Most Indian retail investors first open a trading account through a broker or app. They do not visit SEBI's portal as part of that process. If the first touchpoint is a broker, and the broker is not required to surface SEBI's protective tools during onboarding, those tools will remain invisible to most investors regardless of how good they are. A single regulatory amendment requiring brokers to document investor acknowledgement of SEBI Check and SCORES 2.0 at account opening would cost almost nothing and would structurally close a gap that awareness campaigns have failed to close.

8. Limitations

This study's findings are real, but their generalizability is bounded in ways that matter. The sample represents a specific category of Indian retail investor: young, digitally connected, active in investment communities online. This kind of investor is more market savvy than the average 160 million holders of demat accounts, which include many first-time market participants and Tier-2, Tier-3 city residents, as well as older market participants who do not belong to any digital communities of investors. One can say that in a sense this survey measures the best-case scenario possible: the most knowledgeable investors regarding SEBI's anti-fraud tools, those who looked for financial information on the web and encountered the fraud warnings. Even in that best-case group, 67% have never used SEBI Check. What the figure looks like across the full demat population is likely worse.

The second limitation is more subtle but potentially more consequential for how the findings should be used. When someone selects 'moderately aware' of insider trading on a survey, that tells you something about how they see themselves not about whether they could identify a trading window violation in a

company they follow, or recognize the price pattern of a pump-and-dump in a stock they hold. Perception and competence are different things, and they diverge most sharply in exactly the populations most at risk: younger investors, shorter-tenure participants, and people who have not yet experienced a personal loss from fraud. This survey measures confidence. Whether that confidence is warranted is a question a different research design—one involving knowledge tests rather than self-reports—would need to answer.

The October 2025 data collection cutoff means the survey does not capture any shift in fraud awareness triggered by the high-profile media coverage of the Jane Street investigation or SEBI's IndusInd Bank interim order in the second half of 2025. Longitudinal follow-up data collected in 2026 would reveal whether major regulatory events shift retail investor awareness in measurable ways.

Finally, the questions used in this survey are specially designed for the purposes of this research. However, there is another financial literacy scale: FINRA Financial Literacy Scale (FINRA Investor Education Foundation, 2022), which employs five knowledge-based questions allowing for comparison across countries such as India and America. Without an equivalent standard here, comparisons with international surveys remain qualitative rather than statistically grounded. Future work in this area would benefit from incorporating a validated baseline measure, even if supplemented with India-specific items.

9. Conclusion

Three findings from this survey carry policy weight that survives the sample's limitations. The 9% SEBI tool adoption rate is the most immediately actionable. It is not a judgment about SEBI's institutional competence or the quality of its investor education campaigns. It is a structural observation: these tools are not reaching investors at the moment they are most likely to need or use them. The fix is architectural, not aspirational. If SEBI Check and SCORES 2.0 are surfaced as part of the mandatory account-opening process—with brokers required to document investor acknowledgement, as part of the KYC workflow—adoption would rise without any change to the tools themselves. The barrier is structural; the solution should match it.

The ANOVA experience-effectiveness finding ($p < 0.01$, mean ratings 3.8 vs. 2.6 across high and low tenure groups) is the study's most theoretically generative result. It suggests that institutional trust in SEBI is not primarily a product of formal financial education—NISM examinations, investor awareness campaigns, financial literacy seminars. It is a product of time in the market. Experienced investors have, through direct participation, developed a working model of how regulation actually operates: how SEBI detects, investigates, and adjudicates. Novice investors have a simpler model, assembled mostly from news of frauds SEBI failed to prevent. The implication for investor education design is direct: programs should not simply add more content to the existing curriculum. They should restructure around simulation-based, cycle-aware learning that gives newer investors the regulatory context that market veterans accumulate over years.

And the 62.9% who say poor financial literacy is the main thing keeping fraud alive in Indian markets are, in the bluntest possible reading, right about themselves. Fraud in India's capital markets works because it can. The Sadhna Broadcast scheme ran for years before SEBI's enforcement order arrived. Pump-and-dump campaigns on Telegram continue to operate. Alleged algorithmic cross-segment strategies generated Rs. 735 crores in a single session before drawing regulatory attention. What connects these episodes is not regulatory incompetence—SEBI's eventual interventions were technically sophisticated. What connects them is that the gap between how fraud operates and what retail investors

understand about how markets work is large enough, and persistent enough, that the fraud was profitable long before it was stopped. Narrowing that gap is not a task SEBI can complete alone. It runs through brokers, exchanges, financial journalism, and school curricula. But SEBI's National Financial Literacy Strategy is the most available lever, and this study's data points to precisely where that lever needs to be applied.

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