

From Demat Growth to Genuine Participation: Reassessing Retail Investor Inclusion in India's Securities Market

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Abstract

India's securities market has experienced a remarkable expansion in retail participation during the last decade, particularly after the COVID-19 period. The growth of demat accounts and digital brokerage infrastructure is often interpreted as evidence of widening participation. However, an account is not equivalent to an individual investor, and a rise in accounts may therefore overstate the depth of financial-market inclusion. This study reassesses retail investor inclusion by distinguishing between account expansion, unique individual participation and household-level participation in securities-market products. The study uses secondary data from the Securities and Exchange Board of India (SEBI), the National Stock Exchange of India (NSE), and the Association of Mutual Funds in India (AMFI). The analysis covers trends in demat accounts, unique individual demat holders, household participation, regional variation and mutual-fund participation. The evidence indicates that India has moved from a relatively narrow securities-market base toward substantially broader participation, but the process remains uneven across income groups, locations and levels of financial awareness. SEBI's Investor Survey 2025 reports securities-market participation by approximately 3.21 crore households, representing 9.5% of all Indian households, while participation is considerably higher in urban areas and top metropolitan locations. The study argues that future financial-inclusion policy should move beyond counting accounts and focus on active, informed, diversified and sustainable participation. The paper proposes a Retail Investor Inclusion Assessment Framework based on five dimensions: access, actual participation, financial capability, quality of participation and investor protection.

Keywords: Retail investors, securities market, demat accounts, financial inclusion, investor participation, mutual funds, India

1. Introduction

India's financial-market structure has changed significantly with the spread of digital investing, discount broking, mobile trading applications and simplified account-opening procedures. The securities market, which was historically associated with a relatively small group of investors, has increasingly become accessible to households beyond traditional metropolitan investor segments. This transformation is visible in the rapid increase in demat accounts and the expansion of individual participation in equities and mutual funds.

Yet the measurement of participation has become more complicated. A demat account is an account through which securities can be held electronically; it is not necessarily a unique investor. An individual

may maintain multiple demat accounts across depositories or brokers. Consequently, an increase in the number of accounts can arise partly from multiple-account ownership rather than entirely from the addition of new investors.

This distinction is important for assessing financial inclusion. Financial inclusion in securities markets should not be defined simply as the availability of a trading or demat account. A meaningful assessment should consider whether households actually invest, whether they understand the products they use, whether participation is appropriate to their risk capacity, and whether investors are adequately protected. SEBI's analysis of individual investors provides evidence of this distinction. Its January 2025 Bulletin reported that unique individual demat holders, after PAN-based de-duplication across depositories, increased from 282.2 lakh in March 2019 to 895.8 lakh in March 2024. At the same time, the number of individual demat accounts was substantially higher, illustrating the importance of distinguishing accounts from unique investors.

The issue has become even more relevant following SEBI's Investor Survey 2025. The survey estimates that approximately 3.21 crore Indian households, or 9.5% of total households, invest in securities-market products. It also identifies urban residence, education and income as important determinants of participation.

Against this background, the present study examines whether the impressive growth in digital market access has translated into broad-based securities-market inclusion. The study does not treat account growth as synonymous with financial inclusion. Instead, it evaluates participation through a broader framework that considers access, actual participation, capability, quality and investor protection.

2. Statement of the Problem

The rapid growth of demat accounts has created an apparent picture of mass participation in India's securities market. However, the coexistence of multiple accounts, inactive accounts and unequal participation across demographic and geographic groups raises questions about the depth and quality of this inclusion.

The central problem addressed by this study is therefore the measurement gap between market access and meaningful participation. If financial-market inclusion is evaluated only through the number of accounts, policy makers may overestimate inclusion and underestimate barriers related to income, knowledge, risk perception and investor protection.

3. Research Gap

Existing institutional evidence provides extensive information on demat-account growth and investor participation. SEBI has also explicitly examined the distinction between total individual demat accounts and PAN-wise unique individual holders. However, there remains scope for a broader Commerce-oriented interpretation that connects this distinction with household participation, mutual-fund participation and the dimensions of financial inclusion.

The present paper contributes by developing an integrated framework that treats securities-market inclusion as a multidimensional phenomenon rather than a single account-count indicator. It also brings together recent evidence on household participation and individual-market access to identify the difference between numerical expansion and meaningful participation.

4. Objectives of the Study

1. To examine the growth of retail participation indicators in India's securities market.
2. To distinguish between total demat accounts and unique individual investors.
3. To assess the extent and distribution of household participation in securities-market products.
4. To examine the role of income, education and urbanisation in securities-market participation.
5. To evaluate whether account growth alone is an adequate measure of financial inclusion.
6. To propose a multidimensional framework for assessing retail investor inclusion in India.

5. Research Questions

- RQ1. Has the expansion of demat accounts translated into a comparable expansion of unique investors?
- RQ2. What does recent evidence indicate about the actual penetration of securities-market products among Indian households?
- RQ3. Which socioeconomic and geographic factors are associated with differences in participation?
- RQ4. How should securities-market inclusion be measured beyond account ownership?

6. Hypotheses

- H1: The growth of total demat accounts has been substantially different from the growth of unique individual investors.
- H2: Securities-market participation is positively associated with urban residence.
- H3: Securities-market participation varies systematically with household income and educational attainment.
- H4: Demat-account penetration alone provides an incomplete measure of securities-market financial inclusion.

7. Review of Literature

Financial inclusion literature traditionally focuses on access to banking, payments, credit and insurance. Securities-market inclusion represents a more advanced dimension because it involves participation in market-linked financial products and therefore requires not only access but also financial capability and risk understanding.

SEBI's research on individual investors is particularly important because it demonstrates the difference between account numbers and unique investors. Its January 2025 Bulletin reports that unique individual demat holders increased more than threefold between March 2019 and March 2024. The same analysis notes that multiple-account ownership means that total account growth can overstate the number of individuals entering the market.

The SEBI Investor Survey 2025 provides a complementary household-level perspective. It reports that around 3.21 crore households, equivalent to 9.5% of India's 33.72 crore households, are invested in securities-market products. The survey further indicates a substantial urban-rural difference: penetration is approximately 15% among urban households compared with 6% among rural households. Participation is reported to be highest in the top nine metropolitan areas at 23%.

NSE market research provides additional evidence of the growing role of individuals in the equity market. The exchange reported that unique registered investors on NSE reached approximately 11.8 crore by July 2025, while registered investor accounts exceeded 23 crore. The distinction between accounts and unique investors again demonstrates why account counts should be interpreted carefully.

Mutual funds have also become an important route for retail participation. AMFI's December 2025 folio statistics show that retail investors accounted for 91.2% of mutual-fund accounts. However, AMFI explicitly cautions that a folio is an account and should not be treated as a count of unique investors because one investor can hold multiple accounts.

The literature and institutional evidence therefore converge on a common point: India has experienced substantial expansion in access, but the measurement of actual participation requires de-duplication and a household-level perspective.

8. Theoretical Framework

The study draws on the broader financial-inclusion perspective and adapts it to securities markets. The proposed framework contains five dimensions.

Access refers to the availability of demat accounts, brokerage services, digital platforms and investment products.

Actual participation refers to whether individuals or households actually invest rather than merely maintain an account.

Financial capability refers to knowledge of products, risk, return, diversification, costs and market mechanisms.

Quality of participation refers to whether investors participate in a sustainable and appropriate manner, including diversification and long-term orientation rather than excessive speculative activity.

Investor protection refers to the availability and effective use of grievance redressal, KYC safeguards, cybersecurity measures, nomination facilities and regulatory protections.

Thus: Access-Participation-Capability-Quality-Protection

The framework suggests that a market can score highly on access while remaining weaker on actual participation, capability or quality.

9. Research Methodology

9.1 Research Design

The study follows a descriptive and analytical research design based entirely on secondary data. No fabricated survey responses or estimated individual-level observations are used.

9.2 Data Sources

The principal sources are:

- Securities and Exchange Board of India (SEBI) Investor Survey 2025.
- SEBI Bulletin article on the growth of individual investors in the Indian securities market.
- National Stock Exchange of India (NSE) Market Pulse and investor-participation information.
- Association of Mutual Funds in India (AMFI) folio statistics.

9.3 Period of Analysis

The analysis focuses primarily on 2019–2025, with 2019 used as a useful pre-COVID reference point for several participation indicators.

9.4 Analytical Techniques

The study uses trend comparison, percentage comparison, ratio interpretation and comparative analysis. Where institutional data are available in different units, the original units are retained rather than combining incompatible measures.

9.5 Limitation of Secondary Data

The study relies on institutional datasets and published reports. The measures are not perfectly identical: demat accounts, unique individual holders, NSE registered investors, mutual-fund folios and households represent different units of analysis. The paper therefore avoids treating them as interchangeable.

10. Results and Analysis

10.1 Expansion of Demat Accounts and Unique Investors

SEBI reported that total demat accounts reached 1,513.8 lakh by March 2024. Individual demat accounts were 1,508.4 lakh. However, after PAN-based de-duplication, unique individual demat holders were 895.8 lakh.

The difference is analytically important. The existence of approximately 1.51 billion? No. The correct interpretation is 1,513.8 lakh accounts, equivalent to about 151.38 million accounts. This is an account count, not a count of unique investors.

SEBI reported that unique individual holders increased from 282.2 lakh in March 2019 to 895.8 lakh in March 2024. This represents an increase of approximately 217.4%, or more than three times the March 2019 level.

The evidence therefore supports H1: account growth and unique-investor growth are related but not identical.

10.2 Household Participation

SEBI's Investor Survey 2025 provides an important benchmark. Approximately 3.21 crore households, or 9.5% of the total 33.72 crore households, were invested in securities-market products.

This means that despite the substantial expansion of digital market infrastructure, fewer than one in ten Indian households were invested in securities-market products according to the survey.

The finding challenges any interpretation that the growth of demat accounts has automatically created universal market participation.

10.3 Urban-Rural Difference

The SEBI survey reports securities-market penetration of approximately 15% among urban households compared with 6% among rural households.

The urban penetration rate is therefore 2.5 times the rural rate.

This provides support for H2 and demonstrates that geographical and infrastructural factors remain relevant even after digital platforms have reduced some physical barriers.

10.4 Metropolitan Concentration

Participation is particularly high in the top nine metropolitan areas, where securities-market penetration is reported at approximately 23%.

The result indicates that financial-market participation remains concentrated in locations with greater financial awareness, higher incomes, better digital infrastructure and stronger exposure to formal financial services.

10.5 State-Level Variation

SEBI's Investor Survey reports an overall household participation rate of 9.5%, while Maharashtra recorded approximately 17%.

This places Maharashtra substantially above the national average. Such variation suggests that securities-market inclusion is influenced by the economic and financial characteristics of regions.

10.6 Mutual-Fund Participation

AMFI's December 2025 statistics reported 26.13 crore mutual-fund accounts, of which 23.82 crore, or 91.2%, were classified as retail accounts.

This demonstrates the importance of retail investors in the mutual-fund industry. However, the folio figure should not be interpreted as 23.82 crore unique retail investors because AMFI itself notes that one investor may have multiple folios.

Table 1. Selected Indicators of Retail Securities-Market Participation

Indicator	Reference period	Reported value	Interpretation
Unique individual demat holders	Mar-19	282.2 lakh	PAN-de-duplicated holders
Unique individual demat holders	Mar-24	895.8 lakh	PAN-de-duplicated holders
Total demat accounts	Mar-24	1,513.8 lakh	Account count
Securities-market household participation	2025 survey	3.21 crore households	9.5% of households
Urban household penetration	2025 survey	15%	Higher than rural
Rural household penetration	2025 survey	6%	Lower than urban
Top 9 metros penetration	2025 survey	23%	Highest reported segment
Maharashtra penetration	2025 survey	17%	Above national average
Mutual-fund accounts	Dec-25	26.13 crore	Folio/account measure
Retail share of MF accounts	Dec-25	91.20%	Retail-dominated account base

10.7 Hypothesis Assessment

H1 is supported descriptively because total demat accounts and unique individual investors are distinct measures and have grown at different levels.

H2 is supported because SEBI reports substantially higher securities-market penetration among urban households than rural households.

H3 is supported by the SEBI Investor Survey's finding that income and education are important determinants of securities-market participation.

H4 is supported because account ownership does not capture household participation, multiple-account ownership, financial capability or quality of investment behaviour.

11. Discussion

The evidence suggests that India is experiencing a transition from limited securities-market participation toward broader retail involvement. However, the transition should not be interpreted as complete financial

inclusion.

The first important issue is measurement. Counting demat accounts is useful for understanding infrastructure expansion, but it cannot answer how many individuals actually participate. The SEBI de-duplication exercise demonstrates why PAN-wise unique holders provide a more meaningful individual-level indicator.

The second issue is distribution. The higher participation rate among urban households and the especially high penetration in metropolitan areas show that access through digital platforms has not eliminated socioeconomic and geographic differences. Digital infrastructure can reduce transaction costs, but it cannot by itself eliminate differences in income, education, financial awareness and risk-bearing capacity. The third issue is the role of mutual funds. The very high share of retail accounts demonstrates the importance of households in the mutual-fund ecosystem. At the same time, multiple folios mean that account numbers should again be interpreted as activity indicators rather than direct investor counts.

The fourth issue is the quality of participation. A large number of investors does not necessarily mean that investors are making informed decisions. The policy objective should therefore evolve from account opening toward investor capability, risk awareness, diversification and protection.

The evidence also has implications for Maharashtra. With household securities-market penetration reported at approximately 17%, Maharashtra is above the national average. This creates an opportunity for the state to strengthen investor education while also addressing the possibility of speculative or poorly informed participation.

12. Proposed Retail Investor Inclusion Assessment Framework

Based on the findings, the study proposes five dimensions for measuring securities-market inclusion.

Dimension 1: Access

Indicators include demat availability, digital brokerage access, mutual-fund access and low-cost account facilities.

Dimension 2: Actual Participation

Indicators should include unique investors, active investors and household penetration rather than only total accounts.

Dimension 3: Financial Capability

Indicators should capture investor understanding of risk, return, diversification, market products, charges and taxation.

Dimension 4: Quality of Participation

Indicators should include investment horizon, diversification, appropriate asset allocation and the balance between investing and speculative trading.

Dimension 5: Investor Protection

Indicators should include KYC security, grievance redressal, cybersecurity awareness, nomination and awareness of regulatory mechanisms.

The framework can be expressed as: Securities-Market Inclusion = Access + Actual Participation + Financial Capability + Quality + Investor Protection

This framework provides a broader basis for evaluating whether market expansion is translating into meaningful financial inclusion.

13. Policy and Managerial Implications

For regulators, investor participation statistics should distinguish clearly between accounts, unique individuals and households.

For financial intermediaries, customer acquisition should be complemented by investor education, risk profiling and responsible product communication.

For educational institutions, securities-market literacy should include practical understanding of risk, diversification, fraud prevention, digital security and long-term investing.

For state governments, financial-literacy programmes can be targeted toward populations and locations with lower participation.

For investors, the growth of digital platforms should not be confused with the disappearance of investment risk. Easy access lowers the cost of entering markets but does not remove the need for informed decision-making.

14. Conclusion

India's securities market has undergone a significant transformation, particularly since 2019. The growth in unique individual demat holders, household participation and retail mutual-fund accounts indicates a substantial widening of participation.

However, the evidence also demonstrates that financial-market inclusion cannot be measured adequately through account numbers alone. Multiple accounts, differences between individuals and households, urban-rural disparities and socioeconomic differences all influence the interpretation of participation statistics.

The central conclusion of this study is that India has made substantial progress in expanding access to securities markets, but the next phase of inclusion should focus on depth and quality rather than merely scale.

A meaningful retail-investor policy should therefore measure five dimensions: access, actual participation, financial capability, quality of participation and investor protection.

Such a framework would provide a more realistic assessment of whether India's expanding digital securities ecosystem is creating informed and sustainable participation across households.

15. Limitations and Scope for Future Research

The study is based on secondary institutional data and therefore cannot directly measure individual investor behaviour. The datasets also differ in their units of analysis, and direct statistical comparison across all indicators would not always be appropriate.

Future studies can use investor-level or household-level survey data to examine the relationship between financial literacy, income, education, investment behaviour and risk tolerance. Comparative studies across Indian states would also help identify the institutional and socioeconomic factors associated with higher securities-market participation. A longitudinal study could further examine whether new investors remain active over several years or whether a significant proportion become inactive after opening accounts.

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