

The Rise of the Domestic Investor – Opportunities and Challenges
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Good morning, everyone.

It is a privilege to be here with such a distinguished gathering of registered professionals—individuals who play a vital role in the financial well-being of people, and indeed, in strengthening the foundations of capital formation in our economy. My thanks to the Financial Planning Standards Board for this kind invitation.

Today, I would like to reflect on a few interconnected themes: the remarkable rise of the domestic Indian investor, the opportunities and challenges this trend brings, the need for informed and responsible investing to ensure sustained capital formation, the crucial role of registered financial planners in this journey, and what SEBI is doing to support these objectives.

A. Let me start with the unmistakable trend of the steady rise of the Indian Investor

Over the past few years, we have witnessed an extraordinary transformation in India's investor landscape.

The number of unique investors in our capital markets has grown from 4.2 crores in March 2020 to 13 crores today.

Between April 2019 and June 2025, domestic investors brought in over ₹18 lakh crores—or approximately USD 210 billion—into risk-seeking, equity-oriented mutual fund schemes. To put this in perspective, this is more than seven times the net inflows of USD 29 billion from Foreign Portfolio Investors (FPIs) into our equity markets during the same period.

Just last fiscal year FY2024-25 alone, domestic savers contributed a record ₹6.1 lakh crores into equity-risk oriented mutual fund schemes. This strong and steady demand for risk enabled our corporates to raise an unprecedented ₹4.6 lakh crores in the equity primary markets through IPOs, FPOs, rights issues, preferential allotments, and QIPs.

In the world of capital markets, nothing personifies successful capital formation better than this combination of robust demand and record supply of risk paper.

It is also heartening that domestic investors into risk-oriented mutual funds have collectively earned an impressive 15.5% annualized return over the past six years.

While domestic flows have dwarfed FPI flows in recent years, FPIs remain a crucial and welcome stakeholder into our markets. As of June-end, FPI assets under custody in our equity markets stood at over ₹74 lakh crores, or well over USD 860 billion. This has been, and will continue to be, a symbiotic relationship—while FPIs have contributed to India's capital formation, they too have benefitted handsomely, with annualized total returns of over 10% in USD terms since they first started to come in 30 years ago.

Another area of remarkable growth is Alternate Investment Funds (or AIFs)—which channel affluent, risk-capable capital largely into the unlisted space. As of March 2025, commitments

into AIFs stood at ₹13.5 lakh crores, a growth of over ₹1.7 lakh crores in just one year. Over the past five years, AIF commitments have grown at a CAGR of 30%—clear evidence of a deepening and broadening of a crucial component of the capital market.

B. Let us now turn to the many Opportunities and Challenges in maintaining this trend, and the crucial importance of retaining and growing trust in the ecosystem.

While we celebrate this rise of the domestic investor, we must also recognize the many opportunities and challenges ahead.

Thirteen crore investors is an impressive number, yet there is plenty of room to grow. For context, the number of individuals with PAN linked to Aadhaar is nearly four times larger.

But as more savers step into capital markets, it is imperative they do so with a clear understanding of the risks involved—from market volatility to cyber threats. People must understand “risk” as much as they understand “returns.”

Let me touch on some key areas:

First, investors should be well aware of and guard against Cyber Risks and Digital Frauds: With increasing digitization, cyber risks are a growing concern. In addition, fraudsters—often sophisticated and organized—prey on unsuspecting investors.

Second, investors must be fully aware of Market Risks and Volatility: Investors must understand that market movements are a given, and their portfolios should be aligned to their unique risk appetite. We must understand and internalise the meaning of volatility and risk better, just as we have better understood the concept of returns.

Third, we must ensure that trust is maintained in the ecosystem; trust that can be challenged by any episodes of egregious governance failures or market manipulation. Here, first-line regulators—our exchanges and depositories—along with SEBI and all other stakeholders, have a crucial role to play. As the saying goes, if something sounds too good to be true, it probably is too good to be truthful. Investors must be imbued with a healthy scepticism, to be responsible investors.

Finally, financial planning calls for diversification across asset classes. Currently, there may be a tendency among some small investors to concentrate heavily in equities. As regulators, we are working to strengthen the debt and commodities markets to offer robust alternatives. We will touch upon asset allocation a little later.

In all of this, SEBI-registered, trained financial planners and intermediaries have a vital role in helping investors navigate these complexities.

C. Let me turn to Financial Planning and Advice – the path to building a Risk-Aware Investor base.

As financial planners, you are uniquely placed to help investors.

You can help investors undertake formal financial planning —mapping out future expenses, earnings, and savings. As Eisenhower said, “Plans are nothing; planning is everything.”

You can help them understand their unique risk appetite—because risk awareness is just as important, if not more so, than return expectations.

You can help them plan for contingencies—always having a Plan B or even a Plan C.

It's equally important to remind investors to deal only with SEBI-registered entities. They must confirm and double-check credentials of intermediaries independently. They must beware of unregistered finfluencers who play on people's gullibility with promises of assured high returns.

A few more timeless truths bear repeating:

First, the more an individual trades, the less they make. Research by Barber and Odean and many others have repeatedly shown that active individual traders have consistently underperformed.

SEBI's own studies reveal that 90% of individuals in F&O, and 70% in intraday trading, lose money.

Second, as Harry Markowitz put it, "Diversification is the closest thing to a free lunch." Once an investor becomes aware of her unique risk appetite, she must build a diversified investment portfolio that maximises her possible return.

In this regard, it is useful to recall the study conducted by Brinson, Hood, and Beebower—which showed that asset allocation across asset classes contributes much more to variations in portfolio returns than individual security selection or timing.

This is where certifications like the Certified Financial Planner (CFP) from FPSB are invaluable. They bring rigor, credibility, and ethics to a profession that is central to investor protection and market development.

It is also important to emphasize that anyone providing investment advice in India must be registered as an Investment Adviser with SEBI. This regulatory oversight ensures both credibility and trust—for professionals and investors alike.

D. Finally, let me turn to SEBI's own initiatives for growing Investor Education and Awareness.

As guided by the SEBI Chairman, we are significantly scaling up our investor education and awareness efforts.

We are conducting a nationwide survey—covering over 90,000 households—to answer two critical questions:

1. What will it take to bring more savers into the securities market?
2. How informed are our existing and potential investors about risks, and what is needed to promote responsible investing?

The findings will inform a large-scale, demography-sensitive outreach program that SEBI will conduct jointly with Exchanges, Depositories and other stakeholders —delivering the right messages, in the right languages, through the right media.

In the near term, we are collectively focusing on digital fraud awareness. Exchanges, depositories, AMFI, and SEBI are collaborating on a campaign to combat fraudsters and shut out unregistered entities.

This initiative will culminate on October 1st with the launch of:

- * A unique “valid” UPI handle only for SEBI-registered entities, and
- * A ‘SEBI-Check’ utility to verify that an account belongs to a registered intermediary.

These will help create a gated digital community of registered intermediaries, as a safe space for investors to work in with trust. It will also help shut out the menace of unregistered fraudsters who currently proliferate our ecosystem.

Separately, we are exploring partnerships with grassroots organizations – including the Ministry of Panchayati Raj - to deliver investor education through physical outreach.

We urge the industry and all stakeholders to actively support and amplify these efforts. Investor education is too important a topic to be left to the regulators alone.

E. Closing Thoughts

Let me close with this thought: financial planning is not about chasing the highest returns or timing the markets to perfection. It is about crafting a plan aligned to one’s goals and risk appetite, and staying disciplined through market cycles.

As financial planners, you are the critical bridge between India’s savers and its dynamic capital markets—markets that have fuelled record capital formation in recent years.

Your role is indispensable—not just for the individuals you guide, but for the nation’s journey toward inclusive and sustainable growth, and sustained capital formation.

As Peter Lynch said: “know what you own, and why you own it.” Help your clients do the same with their asset allocation and financial planning—with wisdom, ethics, and care.

Together, let us build a market ecosystem where trust is deepened, participation is broadened, and capital formation becomes truly transformative. India’s capital markets are growing—together, let’s ensure our investors grow with them, responsibly and confidently.

Thank you.