

# MFs close in on FIIs as ownership gap narrows to 5.50% in December quarter

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## Synopsis

Domestic mutual funds continued gaining ground over FIIs in December 2025, narrowing the ownership gap to 5.50%. Record MF inflows, persistent SIP investments and declining foreign holdings signal a structural shift toward domestic institutional dominance.



Rising SIP-led mutual fund inflows push domestic institutions closer to overtaking FIIs, as foreign ownership hits multi-year lows and equity ownership steadily tilts inward.

Domestic mutual funds (MFs) continued to chip away at the long-standing dominance of foreign institutional investors (FIIs) in Indian equities during the December 2025 quarter, with the gap in their shareholding in NSE-listed companies narrowing to just 5.50%, according to data from [PRIME Database](#).

The difference shrank by 24 basis points sequentially and has nearly halved from 10.51% as of December 31, 2022, reflecting a steady rebalancing of ownership toward domestic institutions. At its peak in March 2015, the gap stood at 17.14%, when FIIs held 20.70% compared with MFs at just 3.56%.

The latest numbers show a continued divergence in trends between foreign and domestic flows. FII share slipped further to a 13-year low of 16.60% as of December 31, 2025, from 16.68% in the previous quarter. In contrast, MF ownership rose to a fresh record high of 11.10%, up from 10.94%, marking the tenth consecutive quarterly increase.

According to PRIME Database' Pranav Haldea, the balance of ownership is increasingly tilting inward, with MFs alone appearing on track to overtake FIIs in the coming quarters. The trend, which began after demonetisation in 2016 and accelerated during the Covid years, has been driven by strong retail flows into mutual funds through SIPs.

During the quarter, MFs were net buyers to the tune of Rs 1.06 lakh crore, while FIIs recorded net outflows of Rs 11,765 crore — comprising Rs 42,090 crore in secondary market outflows partially offset by Rs 30,325 crore in primary market inflows.

The rise in MF ownership also contributed to [domestic institutional investors](#) (DIIs) — which include insurers, AIFs and PMS players — reaching another record high share of 18.72% as of December 31, 2025, up from 18.28% in the previous quarter, supported by a combined net investment of Rs 2.09 lakh crore. Insurance companies, AIFs and PMS contributed net purchases of Rs 21,490 crore, Rs 367 crore and Rs 1,205 crore respectively.

Individual investor participation showed signs of cooling during the period. Retail investors (holding up to Rs 2 lakh per company) saw their share decline to a four-year low of 7.25% from 7.45%, while HNI ownership slipped to 2.03% from 2.09%. Combined retail and HNI ownership fell to a three-year low of 9.28%, with individuals emerging as net sellers worth Rs 57,404 crore during the quarter.

On sectoral allocations, both DIIs and FIIs increased exposure most to Financial Services, DIIs from 27.46% to 28.34% of their holdings and FIIs from 30.98% to 31.85%, while reducing allocation to Consumer Discretionary. Meanwhile, promoter dynamics continued to evolve. Private promoter ownership rose marginally to 40.76% but has declined by 446 basis points over four years while government promoter share slipped to 8.96%. Total promoter holding fell to a five-year low of 49.73%, close to its historical low.

In a separate development, data from Motilal Oswal showed DII holdings rose 170 basis points year-on-year and 30 basis points sequentially to a record high of 24.8%, while FII ownership declined 90 basis points YoY and 20 basis points QoQ to 24.3%.

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