

Retail holdings in NSE-listed firms at 4-year low in Q3

Decline can be attributed to the spike in volatility and poor trailing returns

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The share of retail investor holdings in the total market capitalisation (mcap) of firms listed on the National Stock Exchange (NSE) declined to a four-year low of 7.25 per cent in the third quarter of 2025-26 (Q3FY26), even as they continue to channel savings into equities indirectly through mutual funds, according to data from Prime Database.

Retail investors are defined as individuals holding shares worth up to ₹2 lakh in a single company.

This decline can be attributed to the spike in volatility and poor trailing returns impacting individual investor sentiment.

High net-worth individuals (HNIs) — those holding more than ₹2 lakh worth of shares in a single company — also saw their share slipping to 2.03 per cent from 2.09 per cent in Q2. As a result, the combined ownership of retail and HNI investors fell to a three-year low of 9.28 per cent. Market participants attributed the decline in the value of direct individual holdings largely to the sharp correction in small and midcap (SMID) stocks.

Nifty is currently only 1.8 per cent away from its January 2026 closing highs, while the Nifty Small Cap index is 11.6 per cent away. The rout in the broader market pushed retail investors to be net sellers worth ₹1,714 crore in 2025, against a

net buying of ₹1.67 trillion in 2024. Retail investors were net sellers in seven out of 12 months last year.

“Some stocks in the SMID space have corrected between 20 per cent and 50 per cent. Individual investors typically have greater exposure to these segments,” said G Chokkalingam, founder of Equinomics. “Over the past year, the share of the top 250 stocks in overall mcap has risen sharply, while erosion has been much steeper in SMID stocks,” he said.

Chokkalingam added that the value of retail and HNI shareholding could recover in the coming quarters as valuations in the SMID space have moderated and market sentiment has improved following the trade deal between India and the United States (US).

Domestic institutional dominance strengthened further in Q3. Holdings of domestic institutional investors (DIIs) rose to an all-time high of 18.72 per cent, supported by net investments of ₹2.1 trillion in Q3. The increase was driven primarily by domestic mutual funds (MFs), whose ownership climbed to a record 11.1 per cent.

“MFs appear poised to overtake foreign investors in the coming quarters,” said Pranav Haldea, managing director of Prime Database Group. “Flush with steady retail inflows via SIPs, MFs invested a net ₹1.1 trillion during the quarter, even as foreign institutional investors recorded net outflows of ₹11,765 crore,” he added.

