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## Retail investors, HNIs shifting from holding direct stocks to mutual funds. Here's why

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### Synopsis

Individual investors in India are increasingly shifting from direct stock holdings to mutual funds, with direct ownership hitting a five-year low and MF holdings reaching record highs. Strong SIP inflows and declining FII participation are driving domestic institutions to become key market stabilisers, signalling a structural shift in investor behaviour.



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Retail money shifts from stocks to mutual funds

Individual investors in India are increasingly shifting from direct stock portfolios to mutual fund holdings, with a report from Prime Infobase highlighting that direct holding by individual investors hit a five-year low in the March 2026 quarter, while indirect holding via mutual funds (MFs) soared to an all-time high.

The report, released on Tuesday, highlights a clear trend of individual investors, including retail and high net worth individual (HNI) investors, seeking professional oversight over individual stock picking.

The combined share of individual investors in companies listed on NSE declined to a five-year low of 9.11% as of March 31, 2026, down from 9.28% as of December 31, 2025, according to data cited by the report. In sharp contrast, the share of domestic mutual funds reached an all-time high of 11.46% in Q4 FY26, marking the eleventh consecutive quarter of growth.

### What is leading to the shift?

"This is indicative of the growing maturity of individual investors, who are now increasingly preferring to invest through a professional fund manager via mutual funds rather than investing in stocks directly," said Pranav Haldea, Managing Director of PRIME Database Group.

To illustrate this structural shift over the last 14 years, Prime Infobase noted that mutual funds held only a 3.21% share in March 2012, while individual investors held an 8.51% share. "14 years later, while the share of individual investors has remained broadly the same at 9.11%, the share of MFs has rocketed to 11.46%," it said.

### Domestic strength vs foreign retreat

The report notes that as retail investors pour money into mutual funds

through systematic investment plans (SIPs), domestic institutions are becoming the primary stabilisers of the Indian market amid persistent FII outflows. The share of FIIs declined to a 14-year low of 16.13% in the January-March quarter of FY26. Haldea said that the balance of ownership continues to tilt inward, reinforcing the market's growing 'atmanirbharta', with MFs alone set to overtake FIIs in the coming quarters.

"This trend started with demonetisation in 2016, accelerated during the COVID years, and has further increased in the last year and a half due to geopolitical issues and valuation concerns of FIIs, amongst others," he added.

The gap between FII and MF holdings has shrunk to just 4.67%, down from a peak gap of 17.14% in 2015, according to the report. As the share of mutual funds continued to rise after having overtaken FIIs in Q4 FY25, the share of DIIs reached another all-time high of 19.24% in Q4 FY26. "While MFs, of course, played a key role, insurance companies, banks and AIFs also played their part with net buy amounts of Rs 28,784 crore, Rs 1,621 crore and Rs 512 crore respectively during the quarter," Prime Infobase added.

### **Which sectors outperformed?**

The report highlighted that DIIs increased their allocation most significantly to healthcare (rising to 6.93% in Q4 FY26), while cutting back on IT. Foreign institutional investors (FIIs), meanwhile, shifted towards commodities and away from financial services.

Prime Infobase highlighted that the share of private promoters decreased to a nine-year low of 40.58% as on March 31 this year, adding that the share has fallen by 464 basis points from 45.22% as on December 31, 2021. While the share of Indian private promoters decreased to nearly 32%, that of foreign promoters rose only marginally to 8.46%. "Meanwhile, the share of the government (as promoter) in companies listed on NSE increased to 9.42% from 8.96% during the quarter," according to the report.

### **Stocks loved by the 'trinity' of promoters, FIIs and DIIs**

Despite the broad shifts, Prime Infobase identified 35 companies where the "trinity" of promoters, FIIs and DIIs all increased their stakes simultaneously during the fourth quarter of FY26. Some of the notable names among them include GMR Airports, IRB Infrastructure Developers, [Godrej Agrovet](#), RateGain Travel Technologies and [Inox Green Energy Services](#).

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