

# DII, retail investors loosen the foreign hand on equities

Rising SIPs, EPFO investments have pushed trend since 2014

KUMAR SHANKAR ROY

BL Research Bureau

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Category	Holding as on (% ownership)	
	June 30 2021	June 30 2014
FPI	21.66	21.64
DII (total)*	13.19	10.44
Mutual funds	7.25	2.86
Insurance companies	4.89	5.26
Retail	7.18	6.02
HNI	2.1	1.91

Source: Prime Database \*DII include mutual funds, insurance, banks, financial institutions, pension funds



As more Indians enter the stock market, domestic equities are beginning to experience a wave of independence from Foreign Portfolio Investor (FPI) domination, reveals an analysis of quarterly shareholding data of NSE-listed companies over the last seven years.

Numbers from Prime Database show that holdings of Domestic Institutional Investors (DII) holdings have moved up steadily from 10.4 per cent as at end-June 2014 to 13.9 per cent in the quarter ended June 2021, even as FPI ownership remained almost static at 21.6 per cent through this period.

With the country entering the 75th year of Independence today, it is significant how the reliance on the foreign hand is diminishing relatively while DIIs, led by mutual funds, are gaining control. Retail investors have also ramped up their holdings during these seven years, to an all-time high now.

The period since 2014 has been considered for this analysis as this was the time when a new phase of optimism started in Indian equity markets.

### Weakening foreign hand?

FPIs have been dominant in Indian stock markets ever since they were allowed entry in the 1990s. FPIs are the largest non-promoter shareholders in the Indian market. The sheer brute force of foreign holdings also means that domestic equities re-

main virtually a slave to the whims of overseas masters. This picture is changing.

### Domestic institutions

DIIs include mutual funds, insurance, banks, financial institutions, pension funds. DIIs have actually been strengthened by millions of small investors coming into mutual funds.

Mutual funds, as of June 2021, held 7.25 per cent in Indian stock compared to a puny 2.86 per cent of Indian stocks held by MFs in June 2014. Aggregate MF folios have risen to 10.5 crore from 3.7 crore seven years ago, powered by robust inflows through Systematic Investment Plans (SIPs). In July 2021, the monthly SIP book was ₹9,609 crore versus ₹3,122 crore in April 2016, when AMFI started disclosing the SIP data.

### EPFO funds

One indirect factor helping DIIs and mutual funds has been the money coming from EPFO. The organisation has adopted the policy of investing 15 per cent of its incremental flows (fresh contributions) in equity exchange traded funds (ETFs) In just three

years, that is, FY18 to FY20, EPFO invested about ₹80,000 crore in stock markets.

However, insurance ownership of Indian stocks has marginally dipped from 5.26 per cent in June 2014 to 4.9 per cent in June 2021, possibly dragged by LIC, whose ownership has dropped 100 basis points to 3.74 per cent.

### Retail play going up

Another driver for more local ownership has been direct participation by individuals. Both retail and HNIs have more ownership of domestic stocks in June 2021 compared to June 2014. Retail ownership (up to ₹2 lakh shareholding) is at an all-time high now.

Retail investors now own 7.18 per cent compared with 6.02 per cent in June 2014. Attracted by the market rally at a time when returns from traditional fixed income avenues have dropped significantly, retail investors have been on an equity overdrive since the March 2020 lows. A buoyant secondary market has also helped in channelising retail savings into the capital market.