

# Sensex rides on small investors' shoulders

Indian investors aren't just investing in stocks more, they are moving markets now, helping IPOs sail through and cushioning the blow when big investors exit the market. A lot has changed in the past one year.



January-March quarter, indicating an increase of 16%, according to an analysis of 1,666 of the total 1,699 NSE-listed companies by Prime Database.

This increase in the retail investors' holding is not just due to existing investors putting in more money into the market but is also fuelled by more retail investors entering the market. The number of individual investors in the market increased by a whopping 1.42 crore in 2020-21, nearly three times the figure in the previous financial year. Another 44.7 lakh have been added in the first two months of the current financial year. The number of demat accounts (you need one to hold your stocks) with the country's two main depositories has gone up from about 4 crore at the end of 2019-20 to over 6.25 crore now. While Central Depository Services Ltd (CDSL) has 4 crore accounts, National Securities Depository Ltd (NSDL) holds another 2.25 crore. It took CDSL about five years (September 2015 to August 2020) to go from 1 crore to 2.5 crore active accounts, the next 1.5 crore accounts were opened in just 10 months. That says something about retail investors' new-found interest in stocks.

Retail investors aren't just making up the numbers. In the last six financial years, the share of individual investors in the total turnover on stock exchanges has risen sharply from 33% in 2015-16 to 45% in 2020-21. In the last year alone, the share of retail investors went up by 6%.

That has forced companies to sit up and take notice. When a company that makes tiles decided to tap the market this month, it earmarked 40% of its total shares on offer for retail investors. Another 35% was reserved for non-institutional investors and just 25% for institutional investors. It is usually the institutional investors that get the biggest pie of such share sales.

## Count in mutual funds too

New retail investors are also coming to stock markets through mutual funds. Over 90% of the 10 crore-plus investor accounts in the mutual fund industry are held by retail investors. The total assets managed by mutual funds hit an all-time high of ₹35.3 lakh crore by July end. July also set whole lot of other mutual fund records—monthly flow into systematic investment plans or SIPs, which allow retail investors to invest small amounts

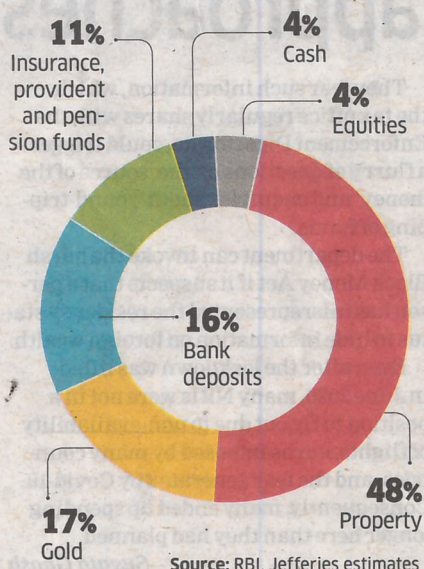
**S**tocks are not among the favourites of an average Indian investor—less than 4% of our population taps the equity market directly. Fixed deposits, real estate, insurance plans and even gold are higher up the priority list. Yet, a year of the pandemic and a booming stock market seems to be tilting the balance in favour of stocks.

## Let the stock rise

Small investors have pumped more money into stock markets in the last year than they have ever done. Retail investors—those with investments of up to ₹2 lakh—cumulatively owned 7.18% of all listed companies on the National Stock Exchange (NSE) in the June quarter this year. That's a record and an increase from their 6.96% holding in the March quarter. The previous record was 7.10% in June 2009. In value terms too, retail holding in NSE-listed companies rose to ₹16.18 lakh crore in the April-June quarter from ₹13.94 lakh crore in

## Spot the old favourites

Indian household assets as of Dec 2020



## The march of the small investor

### THEY OWN

**7.18%** of all NSE-listed companies

**₹16.18 lakh crore** worth of stocks on NSE

### THEY MOVE

**45%** share of individual investors in NSE's total turnover

### MORE ARE COMING

**1.42** crore new stocks investors were added in a year

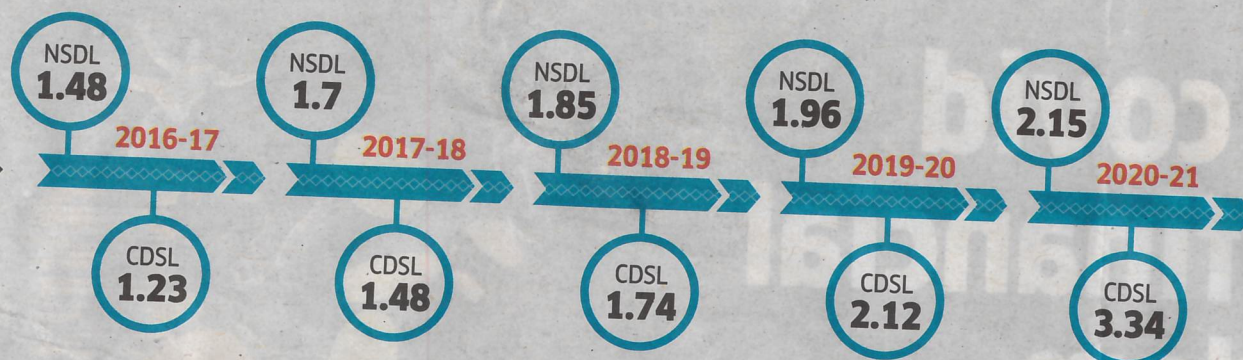
**1.41** crore new SIP accounts were registered last year





## The new stocks investors

Growth in demat accounts (in crore)

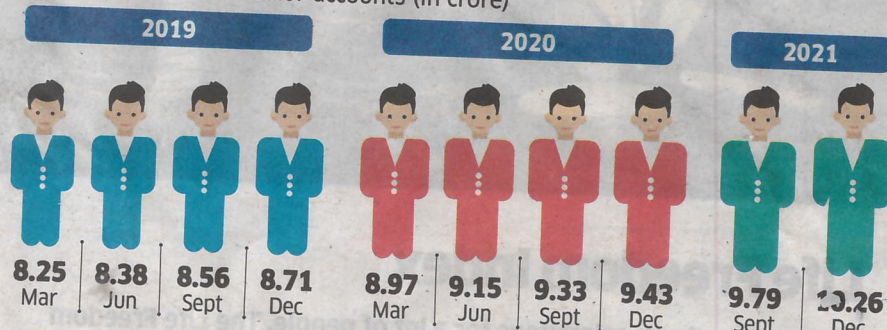


Source: Company reports



## The rise of mutual fund investors

No. of mutual fund investor accounts (in crore)



Source: AMFI

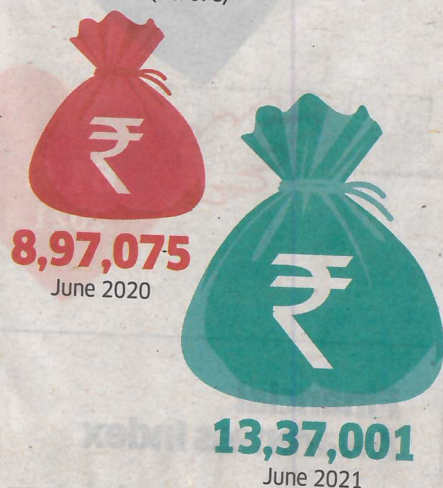
over a long period, recorded a new high of ₹9,609 crore, number of retail SIP accounts surged to 4.17 crore with 23.7 lakh new accounts registered in July alone (the highest-ever registration seen in the industry), total assets under SIPs went over ₹5 lakh crore, total retail assets under management by mutual funds at ₹16.3 lakh crore is another high. About 90 lakh new SIP accounts have been added in the past year.

While these numbers include investments made across all categories of mutual funds, equity funds, which invest mostly in stocks, logged one of their best monthly inflows in July too. At ₹22,583 crore, the net inflows into equity-oriented funds exceeded the previous

**Perhaps one of the biggest ways retail investors invest in the stock market indirectly is through the insurance policies they buy.**

## The trust in equity

Investments of individual investors in equity schemes increased by 49% in a year. Holding of individual investors (₹crore)



last five quarters. It reduced marginally to 7.25% as on June 30, 2021 from 7.26% as on March 31, 2021, though in value terms, the holding of mutual funds went up by 12.30% to an all-time high of ₹16.33 lakh crore on 30 June this year from ₹14.54 lakh crore on 31 March. According to Pranav Haldea, MD, PRIME Database Group, "These trends also show the willingness and preference of individual investors to invest directly, rather than indirectly via mutual funds".

## And insurance companies

Perhaps one of the biggest ways retail investors invest in the stock market indirectly is through the insurance policies they buy. Life Insurance Corporation (LIC), the country's largest insurer earned ₹1.84 lakh crore of new

## And small investors

No. of new SIPs registered (in lakh)



Source: AMFI

business premium in 2020-21. A part of it will find its way in the stock market. The value of LIC's holding (across 295 companies where it holds more than 1%) reached an all-time high of ₹8.43 lakh crore in the quarter ending 30 June, an increase of 9.88% over the previous quarter.

Though LIC commands a market share of 67% in the life insurance space and earns almost double the total premium collected by all private insurers put together, the investments made by other

insurance companies in the stock market is quite a sum too. Taken together, the value of the holding of all insurance companies in NSE-listed companies stood at ₹11.03 lakh crore on 30 June 2021.

Talking of indirect investments, if your taxes fund the government, a part of it also shows up in the stock market numbers. The percentage holding of the government (as promoter) in companies listed on NSE has increased to a one-year high of 6.05% on 30 June from 5.70% on 31 March.

## But what's changed?

Around 41% of India's household savings is in the form of financial savings. As the pandemic hit and the country went into a lockdown, the financial savings saw a significant jump in the first quarter of 2020-21, though it also moderated in the following quarter. Many investors who had accumulated higher savings in the last year or so due to lower spending are now looking to invest. The lack of investments that can earn good returns in a low interest rate regime (fixed deposit rates vary from 2.9% to 5.4%) coupled with the steady upward march of stock indices has given confidence to new investors hoping to beat inflation.

The rise in popularity of tech platforms like Zerodha has also helped bring in new categories of investors into the market. As Indians spent more time locked up in their homes in a major part of the last year, some may have given investing or trading in the stock market a try.

## Where's it headed?

According to a recent report by State Bank of India, the share of shares and debenture in India's total household savings is likely to go up from 3.4% in 2019-20 to 4.8-5% in 2020-21. As a percentage of gross domestic product, this means the investments in share and debenture will go up from 0.4% of GDP to 0.7%. This is still much lower than 36.5% in the United States which indicates the significant upside to household participation in equity investment, the report says.

A larger participation of retail investors would enable a larger resource pool for tomorrow's startups as well as for financing India's infrastructural requirements.

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