


Equity market pumped with retail surge


● Over 26 lakh demat accounts opened every month in current fiscal against 4 lakh in 2019-20


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RETAIL PARTICIPATION IN the Indian equity market has soared significantly over the past two years, as more and more first-time investors ventured into the market for better returns at a time when the benchmark rates (repo) were kept at a record low. The pandemic-led lockdown and subsequent work-from-home with high internet penetration further augmented their enthusiasm. The two depositories — Central Depository Services (CDSL) and National Securities Depository (NSDL) — together added 286 lakh new accounts between April and November

Catching on

 Retail participation in Indian equity market soared significantly over past 2 years

 1st-time investors entered market when benchmark rates were at record low

 Lockdown, WFH with high internet penetration boosted enthusiasm

 Retail investors tend to focus on mid and smallcap stocks

2021, with CDSL itself accounting for 247 lakh new demat accounts. While CDSL added 30 lakh new demat accounts in November, NSDL saw another 4 lakh new accounts adding to the kitty during the month. According to the December Sebi bulletin, on an average over 26 lakh demat accounts were opened every month in the current financial year against a monthly average of mere 4 lakh in 2019-20.

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The total number of investor accounts as of November 2021 stood at 7.7 crore (cumulatively by NSDL & CDSL) with total investment of ₹330 lakh crore.

However, the retail



investor often takes the brunt of market crashes as this category tends to focus on mid and smallcap stocks.

According to Prime Database, the retail holding in 1,034 companies listed on NSE went up in the September quarter with an average stock price appreciation of just 3.78%, whereas they reduced stake in 592 companies whose price rose by 23.96% during the period.

According to Credit Suisse, despite steady net purchases by retail investors, their share of the BSE500 has been falling in the past 15 years, primarily as they have consistently underperformed the market.

“Retail flows are likely to remain volatile in our view, as stagnation sets in post the remarkable surge in the markets. This should not have a negative impact on MF inflows though, and in some cases may even support them,” the foreign brokerage said in a recent report.

As of September 2021, the aggregate retail holding on NSE listed companies stood 7.13%, valuing at ₹18.16 lakh crore. Over the past one

year, the retail holding (individuals holding nominal share capital up to ₹2 lakh) in Indian Energy Exchange rose nearly threefold to 26.48% through December 2021.

Similarly, their holdings in Future Retail, Indiabulls Real Estate and Hemisphere Properties went up between 10.2 percentage points (ppts) to 11.9 ppts, Capitaline data showed.

Credit Suisse further argues that financialisation of savings and higher internet penetration can lead to higher retail inflows into the mid and smallcap sector, while large caps may remain susceptible to foreign portfolio investor (FPI) selling in the near term. Even the retail participation in the primary market has surged over the last year, with several IPOs being oversubscribed on day one in a few hours.