

# India's retail investors put faith in national bourse



Record inflows from domestic stockpickers bolster resilience amid tariff war disruptions

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Growing up in New Delhi, 38-year-old health worker Naushen Zaidi said her parents invested in fixed deposits, life insurance and land.

But after her husband introduced her to the stock market in 2012, Zaidi started small there, putting money into mutual funds, later investing Rs30,000 (\$350) during the pandemic and “tasted blood”, she recalls. Her investments have quadrupled in value since, Zaidi says, and she carries on dividing her monthly savings between mutual funds and equities.

Zaidi is one of millions of Indians who continue to pump money into local shares despite outflows of foreign money, in a sign that the country's burgeoning equity culture could help the market withstand ructions from Donald Trump's tariffs.

Domestic investors put in a record \$72bn during the year to the end of March, while foreign investors pulled out \$14.6bn, according to the National Stock Exchange of India.

The massive inflows from what the markets regulator once called “elusive” retail investors have taken domestic holdings to more than 26 per cent of the market, compared with foreigners' 17 per cent as of December 31. The balance is held by company founders, domestic insurance companies and the state.

The resilience of retail investors shows the growing maturity of India's stock market and its ability to decouple from international capital flows. The Nifty 50 index has largely recovered

losses after Trump's “liberation day”, making India's market the strongest to rebound from the tariff turmoil.

Industry groups said the change reflected Indian investors pivoting away from low-interest fixed deposits and increasingly viewing local equities as viable long-term investments.

Growth in mutual funds' assets under management outstripped a rise in bank deposits between 2019 and 2024, the Association of Mutual Funds in India (Amfi) said in a report last month.

Devarajan Nambakam, co-head of investment banking in India for Goldman Sachs, told the Financial Times the market remained healthy despite foreign outflows because “domestic liquidity remains available”.

One of the primary avenues for retail investors is systematic investment plans offered by mutual funds, which have heavily advertised the product as a reliable investment vehicle in recent years.

Of the total number of such plans, “65 per cent started after Covid, so effectively a lot of this has not seen a correction or has not experienced a bear market”, said Siddhartha Bhaiya, managing director of Mumbai-based asset manager Aequitas.

The amount of money managed by mutual funds through SIPs quadrupled to \$124.3bn between 2019 and 2024, said Amfi, while the number of depository accounts for securities quintupled to 190mn in the same period, according to the Securities and Exchange Board of India, the markets regulator.

BNP Paribas said in its 2025 strategy note in January that the growing share of retail investors was driven by Amfi's years-long effort to promote “the benefits of equity as an asset class”, the market's large post-pandemic returns, the growing ease of opening accounts through mobile apps and comparatively attractive after-tax returns.

All of these factors, said Bhaiya of Aequitas, “created a frenzy that you don't need to invest in fixed deposits”.

“When stock markets can give you 7 per cent returns in a month,” he said, “why should you invest in fixed deposits which are giving you 7 per cent a year?”

The Nifty 50 index has risen 8.4 per cent in the past year, compared with a 5.4 per cent rise for Wall Street's S&P 500. Meanwhile, India's benchmark repo rate stands at 6.25 per cent.

Many retail traders who entered India's stock market during the pandemic boom were taken aback by a cor-

**Strong footing:** India's National Stock Exchange in Mumbai. Domestic holdings have risen to more than 26% of the market, while foreigners hold 17% — Dhiraj Singh/ Bloomberg

rection at the beginning of the year, with the Nifty 50 having fallen 10 per cent by early March from a peak in September 2024.

This led to suspended SIPs exceeding new SIPs in January for the first time since 2019, when data became publicly available. The numbers worsened in March, with 5.2mn suspended SIPs to 4mn new ones.

People who are new to the market are “not accustomed to [that] kind of correction”, said Puru Date, a 57-year-old former IT consultant based in the western city of Pune who started investing in 2018.

The Nifty 50 has since recovered some of those losses, though it remains below the September 2024 peak.

Still, some analysts believe the rise in suspended SIPs is temporary, and “investors appear to have become more patient”, said Amfi, with a “focus on long-term wealth creation”.

Mutual funds are steadily growing their share of the market, making up 9.5 per cent of the total market cap of listed companies in September 2024, in the latest data available, up from 7.2 per cent in March 2019.

Retail investors' “preference to a disciplined investment approach via SIPs and cost-efficient investment products such as passive funds has increased”, said Amfi. About 16 per cent of total AUM comprises passive funds tracking indices as of February.

Date, who started investing with a “modest” Rs1.2mn, now has about Rs10mn in equities after the pandemic boom, compared with Rs5mn in mutual funds and Rs2mn in local bonds. He is looking to rebalance his portfolio.

Zaidi continues to put 60 per cent of her savings into mutual funds.

“Whatever equity that we are building right now, it's not for our current use,” she said. “We're looking at the long-term plans.”

## Indian stocks have outperformed US equities

Indices rebased in \$ terms



‘Investors have become more patient’, with a ‘focus on long-term wealth creation’

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