

# The Indian Capital Market 2024: An Overview

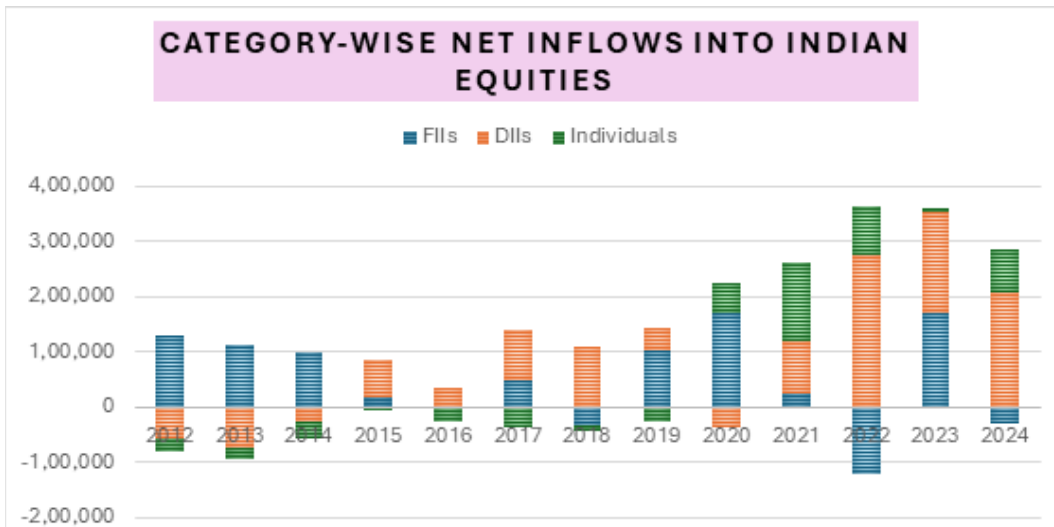


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The Indian capital market has undergone significant growth and transformation in 2024. The country's remarkable growth rate of 8.4% in the third quarter of the fiscal year 2024 surpassed all expectations. India's GDP growth already touched 8.2% year on year in these quarters. This market, which includes both the primary and secondary markets, plays a crucial role in the mobilization of funds from investors to entities in need of capital for growth and expansion. This article examines the current state, key developments, challenges, and prospects of the Indian capital market in 2024, supported by relevant data.

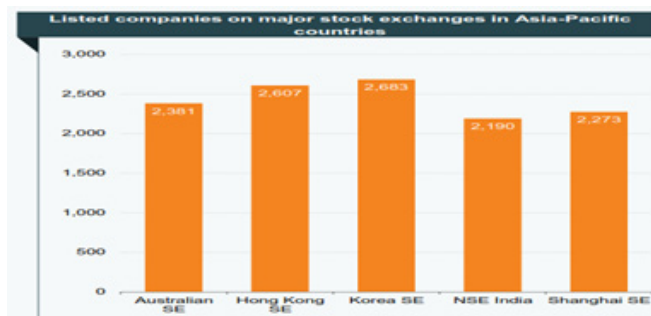
## 1. Current State of the Indian Capital Market

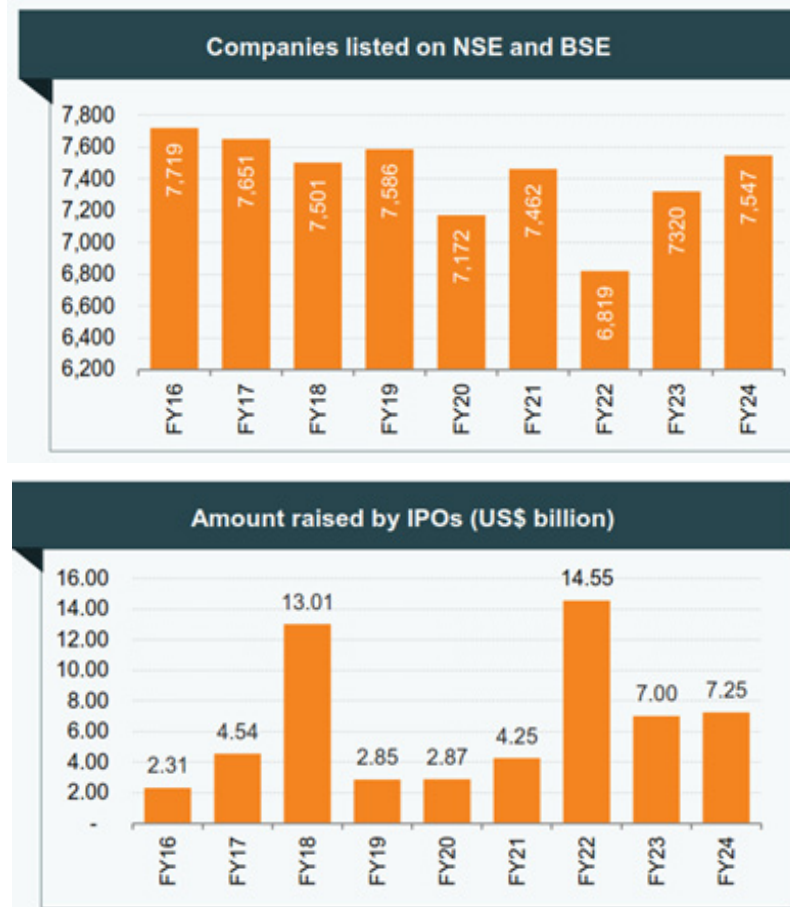
- The Indian capital market in 2024 is characterized by robust growth and increased participation. The market capitalization of Indian exchanges has reached unprecedented levels with SENSEX touching 80,000 + levels and NIFTY 50 touching 24,000+ levels. The investor confidence is all time high. The chart below depicts the category wise inflows into Indian Equity markets.



Source: Market Pulse – June 2024

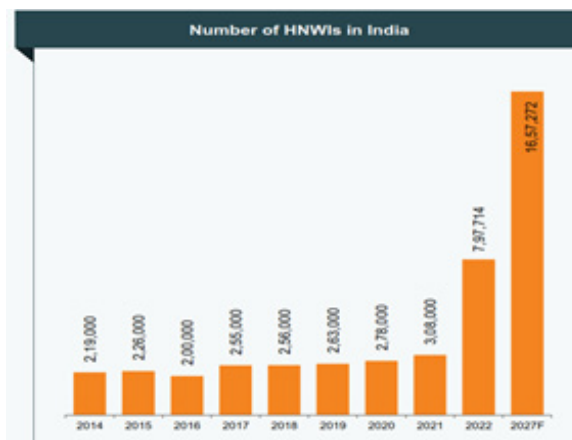
- Indian stock market rally made investors Rs. 80.62 lakh crores (US\$ 973. 67 billion) in 2023 and Sensex reached an all time high of 76,009.68 on May 27, 2024. The number of demat account in India reached 154 million in April 2024. The number of companies listed on BSE increased from 135 in 1995 to 5,357 as of March 2024. According to the statistics by the Futures Industry Association (FIA), a derivatives trade association, National Stock Exchange (NSE), emerged as the world's largest derivatives exchange in 2020 in terms of contracts traded. NSE was ranked 4th worldwide in cash equities by number of trades as per the statistics maintained by the World Federation of Exchanges (WFE).





Source: IBEF May 2024

- Indian IPO market is experiencing a golden age driven by robust economy and high mainboard segment have raised around Rs. 32,000 crores which were on an average 61 times oversubscribed. The new age tech startups have been in the forefront to get themselves listed on the Indian Stock Exchanges. The growth shows that Indian retail and domestic investors have strong confidence in India growth story.
- In FY 24, AUM managed by mutual fund industry stood at Rs. 53.40 lakh crores (US\$ 641.75 billion) and the folios crossed 10 crores. In April 2024, about 18% of the assets in the Mutual fund industry were generated from B30 (Beyond the top 30) cities. The asset under management (AUM) growth is expected to double to Rs. 100 trillion (US\$ 1207 billion) by 20230 implying a CAGR of 14% from FY 24 to FY 30.
- The number of HNWI in India reached 797,714 by the end of 2022. Between 2014 and 2020, the number of HNWI in India posted a steady rise, increasing at a CAGR of 4.1%. By the end of 2025, global HNWI wealth is estimated to grow over US\$ 100 trillion. India is expected to have 16.57 lakhs HNWIs in 2027. Advisory asset management and tax planning have one of the highest demands among wealth management services by HNWIs. India is expected to be the fourth largest private wealth market globally by 2028.



Source: IBEF Financial Services May 2024.

- Non-Banking Financial Companies (NBFC) are rapidly gaining prominence as intermediaries in the retail finance space. They account for more than 80% of the equipment leasing and hire purchase activities in India. There were 9,356 NBFCs registered with RBI as of September 2023. The public funds of NBFCs increased from US\$ 278.23 billion in 2016 to US\$ 470.74 billion in 2020 at a CAGR of 14.04%.

## 2. Key Developments in 2024

Several notable developments have shaped the Indian capital market this year:

- **Technological Advancements:** The integration of advanced technologies like artificial intelligence, blockchain, and machine learning has enhanced market efficiency, transparency, and security. The introduction of digital trading platforms and robo-advisors has made investing more accessible to a broader population.
  - **Digital Trading:** The number of digital trading accounts increased by 30% year-on-year, reaching over 100 million active accounts.
  - **Robo-Advisors:** Assets under management (AUM) by robo-advisors crossed INR 1 lakh crore (approximately USD 12 billion).
  - India's mobile wallet industry is estimated to grow at a CAGR of 23.9% between 2023 and 2027 to reach US\$ 5.7trillion. In February 2024, Unified Payment Interface (UPI) recorded 12.10 billion transactions worth Rs. 18.28 lakh crores (US\$ 220.77 billion).
- **Regulatory Reforms:** The Securities and Exchange Board of India (SEBI) has implemented various reforms to protect investors and ensure fair market practices. New regulations aimed at improving corporate governance, reducing insider trading, and enhancing disclosure norms have been introduced.
  - **Corporate Governance:** The number of companies complying with the new corporate governance norms increased by 15%.
  - **Insider Trading Cases:** Insider trading cases reduced by 20% compared to the previous year.
- **ESG Investments:** There has been a significant rise in Environmental, Social, and Governance (ESG) investing. Companies with strong ESG credentials are attracting more investors, reflecting a shift towards sustainable and responsible investing.
  - **ESG Funds:** The AUM of ESG-focused funds increased by 40%, reaching INR 50,000 crore (approximately USD 6 billion).
- **Increased Retail Participation:** The number of retail investors in the Indian capital market has surged, supported by financial literacy campaigns and the ease of access provided by digital platforms. This has contributed to higher trading volumes and liquidity.
  - **Retail Investor Accounts:** The number of retail investor accounts exceeded 100 million, with a 25% increase in new accounts opened in 2024.

## 3. Challenges Facing the Market

Despite its growth, the Indian capital market faces several challenges:

- **Market Volatility:** Geopolitical tensions, global economic uncertainties, and domestic political dynamics continue to cause market fluctuations. Investors need to navigate these uncertainties with caution.
  - **Volatility Index (VIX):** The India VIX, a measure of market volatility, has averaged 20-25 points, indicating moderate market volatility.
- **Infrastructure and Cybersecurity:** Ensuring robust infrastructure and cybersecurity measures is critical as the market becomes more digitalized. Cyber threats and technical glitches can undermine investor confidence and market stability.
  - **Cybersecurity Incidents:** Reported cybersecurity incidents in the financial sector increased by 15%, highlighting the need for stronger measures.

## 4. Future Prospects

The future of the Indian capital market looks promising, with several positive trends on the horizon:

- **Continued Digital Transformation:** The ongoing digital transformation is expected to make the market more inclusive and efficient. Innovations in fintech and regtech will further streamline operations and enhance investor experience.
  - **Fintech Growth:** The fintech sector is projected to grow at a CAGR of 22%, with investments reaching USD 10 billion by 2025.
- **Rise of Alternative Investments:** The popularity of alternative investment options, such as real estate investment trusts (REITs), infrastructure investment trusts (InvITs), and venture capital funds, is likely to grow, providing investors with more diversified opportunities.
  - **Alternative Investments:** AUM in alternative investments increased by 35%, reaching INR 2 lakh crore (approximately USD 24 billion).
- **Global Integration:** Increased integration with global markets through foreign portfolio investments (FPIs) and international collaborations will bring more capital and expertise into the Indian market, fostering growth and development.
  - **FPI Inflows:** Net FPI inflows in 2024 exceeded USD 30 billion, indicating strong foreign interest in Indian markets.

- **Sustainability Focus:** The emphasis on ESG factors is expected to intensify, with more companies adopting sustainable practices and investors prioritizing ethical investments.
  - **Sustainable Investments:** The number of companies issuing green bonds increased by 20%, raising over INR 50,000 crore (approximately USD 6 billion).

### **Conclusion**

The Indian capital market in 2024 stands at a pivotal juncture, marked by growth, innovation, and evolving dynamics. While challenges persist, the market's resilience and adaptability position it well for future expansion. By embracing technological advancements, maintaining robust regulatory frameworks, and focusing on sustainable growth, the Indian capital market is poised to play a crucial role in the country's economic development.

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