

# Indian Capital Market in 2025: Pioneering growth through Innovation, Technology, and Transparency



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In 2025, India's capital market has emerged as a powerful engine of economic progress and financial democratization. What was once a system accessible primarily to a niche group of investors has now evolved into one of the most dynamic, inclusive, and technologically advanced capital markets in the world. This transformation has been underpinned by a visionary combination of regulatory foresight, technological disruption, and a renewed emphasis on transparency and trust.

From regulatory frameworks that encourage innovation to platforms that empower first-time investors, India's capital market story is no longer just about growth - it's about pioneering a new model of equitable, efficient, and futuristic finance.

India's capital markets have undergone a profound transformation - evolving from a fragmented, paper-based trading framework to one of the most technologically advanced and efficient ecosystems globally. Over the past three decades, the National Stock Exchange of India (NSE) has been at the heart of this journey, catalysing change through innovation, transparency, and inclusivity.

## INNOVATION IN ACTION: CATALYSTS FOR STRUCTURAL GROWTH

At the heart of this transformation lies innovation - both in regulatory approach and market structure. The Securities and Exchange Board of India (SEBI) has led the charge in 2025 with sweeping reforms designed to simplify processes, attract wider participation, and ensure long-term resilience.

New rules enabling co-investment through Alternative Investment Funds (AIFs) are drawing more institutional and retail participation into start-up and early-stage ventures, bridging funding gaps and nurturing the entrepreneurial ecosystem. Simpler norms for IPOs and ESOPs have made capital raising easier for emerging enterprises. Meanwhile, the liberalization of demat mandates and entry norms is reducing friction for new investors and expanding access to capital markets across India's Tier-II and Tier-III cities.

These regulatory shifts have also spurred the rise of new financial products and vehicles. ESG-linked securities, green bonds, and asset-backed tokens are attracting interest from a growing base of sustainability-

conscious investors. Start-ups are also leveraging fractional ownership models and tokenized assets to reach a broader investor base. These innovations are not just modernizing how capital is raised and invested—they are realigning capital flows toward future-forward, sustainable sectors.

## CAPITAL MARKETS GROWTH: SCALE AND IMPACT

India's capital markets have expanded exponentially. In rupee terms, market capitalization has grown from ₹3.6 lakh crore in March 1995 to ₹459 lakh crore (US\$5.4 trillion) in June 2025 - an increase of 128 times in rupee terms and 47 times in dollar terms. This scale and pace of growth is unparalleled among peer economies with similar per capita income levels.

The market capitalization-to-GDP ratio - a key indicator of financial market depth—has surged from approximately 60% in FY2014 to 124% in FY2025. This reflects not just the size of the markets, but the increasing confidence of Indian and global investors in India's economic story.

## THE TECHNOLOGY TRANSFORMATION: DIGITAL-FIRST MARKETS

If innovation is the engine of India's capital market growth, technology is the fuel. The adoption of digital tools has not only accelerated transactions but also dramatically broadened investor access.

e-KYC has become faster and more secure with AI-powered verification systems. Opening a demat account is now a matter of minutes, not days. Trading platforms offer real-time execution, seamless mobile integration, and advanced tools for analysis and decision-making. The transition to online investing - once a convenience - has become a foundational feature of the Indian financial landscape.

Perhaps the most significant leap forward is in the adoption of block chain and distributed ledger technologies. These are now being piloted for everything from post-trade settlement to regulatory compliance. Asset tokenization especially in real estate and private equity has made previously illiquid investments more accessible, divisible, and tradable.

Market infrastructure institutions are also embracing AI and machine learning for real-time risk assessment, market surveillance, and investor behaviour analysis. These advancements have significantly improved fraud detection and market stability. RegTech solutions are helping intermediaries and institutions comply more efficiently with evolving regulations, while ensuring robust data protection and cybersecurity.

## THE RETAIL PARTICIPATION BOOM

Nowhere is the transformation more visible than in the surge of retail participation. At NSE the demat accounts grew to 19.9 crore as of June 2025. This momentum

reflects the deepening trust in India's capital markets and the resilience of investor sentiment amid global economic uncertainty.

Digital financial literacy campaigns, gamified learning apps, and SEBI-backed education portals have made investing more intuitive and less intimidating. Women, students, gig workers, and small business owners are now a growing demographic in the investor base, further boosting retail depth.

Domestic institutional investors too have gained prominence, with their share rising from 13% to 20%, reflecting deeper confidence in India's markets. While foreign institutional investment remains important, India's market is now increasingly shaped by Indian investors a structural shift that adds resilience and long-term stability.

### **THE CENTRAL ROLE OF CAPITAL MARKETS IN INDIA'S FINANCIAL SYSTEM**

India's capital markets have now grown to represent nearly 1.7 times the size of the banking sector as of June 2025 - a stark contrast from March 1999, when they accounted for just three-fifths of the banking system's size. This transition underscores the increasing role capital markets play in financial intermediation, infrastructure financing, and long-term wealth creation.

Greater financial literacy improved digital access, and trust in regulation have brought a paradigm shift in investor behaviour from traditional savings instruments to market-linked avenues. The democratization of finance is real: one in five Indian households now participates directly in the equity markets.

### **PRODUCT INNOVATION AND GLOBAL INTEGRATION**

India today ranks among the top four global equity markets by size, and third by number of trades in the cash segment. NSE continues to expand the market's depth

through innovative instruments such as electricity futures, sovereign green bonds, and products on the GIFT IFSC platform offering investors new avenues for diversification and sustainability-linked investing. In July 2025, NSE crossed 23 crore unique trading accounts, just three months after reaching 22 crores. As of July 28, unique registered investors totalled 11.8 crore.

India's regulatory and technological credibility has also bolstered capital inflows manifested in growing levels of FDI and FPI reinforcing India's stature as a reliable investment destination.

### **THE ROAD AHEAD: GLOBAL COMPETITIVENESS AND SUSTAINABLE GROWTH**

As we look beyond 2025, India's capital market appears well-positioned to compete with the world's leading financial ecosystems. With an eye on global benchmarks and a heart rooted in inclusive development, India's capital markets are poised to drive not just national economic ambitions but also redefine the global capital landscape. The coming years will likely see Indian exchanges, intermediaries, and investors playing a more prominent role in shaping global financial flows.

### **CONCLUSION**

2025 marks a pivotal year for India's capital markets a year where bold reforms, digital transformation, and a relentless pursuit of transparency have set new benchmarks. More than just a financial system, India's capital market has become a symbol of the country's aspiration to grow responsibly, invest wisely, and include broadly.

As the market continues to evolve, it offers a compelling blueprint for how developing economies can leapfrog into global competitiveness by placing trust, technology, and transparency at the centre of their financial architecture.