Democratizing Capital Markets for Bharat

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In May 2025, India became the world's fourth-largest economy, overtaking Japan with a GDP of $4.187 trillion. On its current trajectory, India is poised to surpass Germany by 2030 to become the third-largest. Despite already being the fifth-largest equity market globally by capitalization, India has only just begun to unlock the full potential of domestic household savings. Direct equity participation remains below 6%, compared to over 55% in the United States. Bridging this gap is not merely a statistical exercise, it is central to the country's ambition to evolve into a $10 trillion economy by 2032 and a $30 trillion economy by 2047. The route to that future lies in democratizing capital, ensuring that financial markets are accessible, affordable, and trustworthy for every Indian, irrespective of geography, gender, or income.

The National Stock Exchange of India (NSE) stands at the vanguard of this transformation, especially in Bharat—India's rural and semi-urban heartland. Through its pioneering "3D" strategy of Dematerialisation, Democratisation, and Digitalisation, NSE is reshaping the capital markets to serve a broader and more inclusive investor base. With states like Uttar Pradesh leading in new investor activations and 20% of all trades now taking place on smartphones, the democratization of access is underway. As of mid-2025, women make up 22% of NSE's investor base, with Delhi leading at 30%, underscoring the evolution towards more inclusive financial participation.

The journey began with Dematerialisation, which took hold between 1994 and 2004, replacing paper-based share certificates with digital holdings through depositories such as NSDL and CDSL. Settlement cycles were compressed from T+15 to T+2 by 2003 and further down to T+1 in 2023. In a breakthrough moment, a pilot project in March 2025 successfully enabled same-day (T+0) settlement for 25 large-cap stocks, putting India at the forefront of global post-trade efficiency. The move to digital didn't just improve efficiency—it resolved chronic issues like bad deliveries, where share transfers failed due to mismatched details or forged documents. NSDL, an NSE Group company, played a pivotal role in digitizing the entire lifecycle of a security, from issuance to transfer, thereby making the market safer, more transparent, and investor-friendly.

Following this, Democratisation gained momentum. Technology, regulatory reforms, and financial education combined to lower entry barriers and build confidence among first-time investors. Retail ownership in NSE-listed companies rose from 10.9% in FY2014 to 18.2% in FY2025, surpassing foreign portfolio investors for the first time since 2006. This signals a shift toward a more equitable market structure—one where capital markets are not elite spaces, but public institutions.

Regional data reflects this broadening of participation. Maharashtra, Tamil Nadu, Karnataka, Gujarat, and Uttar Pradesh together account for nearly half of India's GDP and 58% of all active investors. Cities like Mumbai, Pune, Chennai, Bengaluru, Ahmedabad, and Lucknow are now investment hubs. Tamil Nadu is powered by its textile and automotive sectors, while Karnataka leads in software and biotech exports. Gujarat's industrial belt drives both equity and commodity trading, and Uttar Pradesh is seeing a surge in first-time demat activations from tier-2 cities like Kanpur and Varanasi. Today, over 1.8 lakh broker trading terminals are connected to NSE across nearly 1,400 towns and cities, while retail participation in index options continues to grow steadily.

The third pillar, Digitalisation, lies at the heart of India's financial inclusion model. Enabled by the India Stack—a set of interoperable digital public goods—it has dramatically reduced friction in onboarding and transactions. Aadhaar ensures unique biometric identity, e-KYC cuts compliance costs, UPI enables instant low-cost payments, and DigiLocker integration with demat accounts has simplified access to documents and nominee transmission. As of FY25, demat accounts have crossed 192.4 million. With brokers now conducting daily settlements to clearing corporations under SEBI guidelines, transaction cycles have become faster, safer, and more transparent. NSE's infrastructure supports this scale, capable of processing 10 million trades per second.

India's Account Aggregator (AA) framework has further revolutionized financial access by connecting over 2,300 institutions, enabling streamlined data-sharing for personalized lending and advisory services. Digital-first brokerages like Zerodha, Upstox, Groww, and Paytm Money have capitalized on this infrastructure, offering low-cost, vernacular, and mobile-first investing platforms. Features like instant onboarding, video KYC at midnight, and two-second trade executions have attracted younger and more diverse investors. With 3.4 million demat accounts being added every month, and women now forming 25% of new investors, the shift toward digital, inclusive investing is evident. These platforms are also playing a key role in SME fundraising, although broader inclusion still requires tailored outreach to underserved regions.

Beyond equities, India's capital markets are evolving into robust alternatives to bank-driven finance. The market-cap-to-GDP ratio surpassed 1.2x in FY25, indicating deeper financial penetration. Monthly SIP inflows of ₹27,000 crore provide long-term domestic support. Margin trading facility (MTF) usage has grown to ₹75,000 crore, boosting both liquidity and participation in rural areas. The ecosystem continues to expand through innovations like bond ETFs and secured receivable exchanges. The Social Stock Exchange and ONDC's credit layer are directing capital to impact-driven sectors, while the AA framework is unlocking a 360-degree view of individual financial health, enabling better investment decisions.

India is also becoming more globally integrated. GIFT City is offering Indian issuers access to international capital under a liberalized regime, while NSE's cross-listing with the Singapore Exchange facilitates global trading of Nifty futures. Convergence between commodities and equities is being enabled by SEBI's unified clearing, which allows investors to hedge guar-seed prices or trade gold using a single margin pool. This seamless asset-class fungibility empowers both farmers and fintech-savvy youth, removing silos and enhancing market participation across geographies and income levels.

Yet the journey toward a $10 trillion economy by 2032, and a $30 trillion economy by 2047—is not without hurdles. Household financial assets remain heavily concentrated in physical gold and real estate, with equities forming just 5%—far behind China's 29%. The digital divide remains stark: only 37% of adults in the bottom two income quintiles are regular internet users, and rural 4G speeds are just a fraction of urban counterparts. Cybersecurity incidents at financial institutions rose 34% year-on-year in 2024, posing a serious threat to investor trust—particularly among first-time participants who may conflate technical glitches with systemic risk. Financial literacy continues to lag; a SEBI survey in 2023 showed that only 27% of respondents could correctly assess the impact of inflation on investment returns. ESG disclosure standards also remain inconsistent, complicating risk assessment for long-term sustainable capital.

India's aspiration to triple its GDP also faces systemic challenges in mobilizing savings, ensuring credit flow, and building investor confidence. Despite a young population with a median age of 29, artificial intelligence-driven disruptions could push unemployment close to 17%, delaying household financial maturity. Climate variability—such as erratic monsoons—can sharply reduce rural incomes, leading to premature redemptions from mutual funds. To address these issues, NSE has introduced monthly electricity futures, providing hedges against energy price volatility. Instruments like rainfall-indexed derivatives are still developing but hold great promise. A mere 1% reallocation of household savings toward equities could generate ₹2.3 trillion annually—enough to fund nearly half of India's infrastructure goals. Furthermore, open-finance adoption could add 3–5% to GDP by reducing intermediation costs and expanding access to formal credit.

To realize this vision, India must activate four strategic levers. First, the Bharat Stack must be expanded—BharatNet 3.0 should reach 100,000 villages, smartphone access should be subsidized, and vernacular AI chatbots deployed to aid onboarding and improve financial literacy. Second, market microstructure must evolve through a real-time consolidated tape for price discovery, broader access to securities lending, and the introduction of fractional bond units via tokenization to enhance retail participation. Third, capital must be channeled toward socially meaningful outcomes. Tax credits linked to measurable social impacts, a thriving Social Stock Exchange, and deepening green bond markets can attract ESG-oriented capital while de-risking clean-tech ventures. Finally, data stewardship must mature.

The DEPA framework requires a fiduciary lens to prevent exploitative practices. Algorithmic transparency and grievance redressal should be embedded in fintech apps. By leveraging alternative data—such as utility bills and psychometric analytics—credit and investment access can be extended to India's 63 million MSMEs. Platforms offering micro-investments of ₹100 a day, powered by robo-advisors and Account Aggregator data, will democratize wealth creation. Institutional initiatives like NSE's multilingual investor education programs are already accelerating this transformation.

Carbon markets also present a vital frontier. A transparent, exchange-traded carbon credit mechanism—aligned with India's 2070 net-zero target—can unlock climate capital while empowering vulnerable communities. T+0 settlement will be pivotal, offering instant liquidity and confidence to retail investors. The architecture of tomorrow's markets must serve both the startup innovator and the smallholder farmer.

From a supply-side perspective, pension funds and insurance firms must be permitted calibrated relaxations in equity exposure to provide long-term capital stability. Local-currency sovereign green bonds must be benchmarked to liquid reference curves to attract global ESG allocators. Meanwhile, all market participants must invest in cyber-resilience through zero-trust frameworks, AI-based fraud detection, and mandatory six-hour incident reporting to maintain trust and security.

Finally, the human element cannot be overlooked. Financial literacy must evolve from isolated workshops to a culture of lifelong learning. Regional language modules, influencer-led explainers, and community learning circles anchored by accredited trainers must become the new norm. If the current momentum continues, India could see 40 crore demat accounts by 2030. This mass participation won't just expand the shareholder base—it will redefine corporate governance, de-risk entrepreneurship, and elevate millions into asset ownership.

Democratizing capital markets for Bharat is not a catchphrase—it is the foundational principle for India's next economic era. The convergence of digital infrastructure, progressive policy, vigilant institutions, and grassroots awareness can unleash a wave of savings and investment that funds infrastructure, supports innovation, and, most importantly, ensures that growth is widely shared. When every Indian is a stakeholder in the economy, we don't just grow faster—we grow stronger, together. The next 25 years could well mark India's transformation from a nation of savers to a nation of strategic investors—an evolution as vital for social equity as it is for economic power.