Address by
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Opportunities and Challenges in India's Capital Markets
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Distinguished guests, leaders from the industry, esteemed partners from global markets, entrepreneurs, ladies and gentlemen - a very good morning to you all.

It is a pleasure to join you today to reflect on the evolving role of India's capital market. The theme of "*The India Advantage*" is timely in this period of an uneven global environment. In an era marked by heightened trade uncertainty, geopolitical fault lines, and sudden policy shifts, the Indian economy continues to demonstrate remarkable economic growth, resilience and stability.

Our capital market is not just a barometer of the economy- it is a key pillar of our economic growth and central to our aspirations of a Viksit Bharat.

Today, I want to outline some key opportunities and challenges in different segments of India's capital market.

Primary Market - Fuelling Capital Formation

The health of our primary market remains robust. In FY25, ₹4.6 trillion was raised through the equity market. In current financial year, the equity market has raised ₹2 trillion already. Unique investors have crossed 135 million, up from just 38 million in FY19, indicating their confidence in our markets.

However, our investor survey shows that while 63% households are aware of securities products, only 9.5% have invested. Moreover, 80% households remain risk averse, reflecting the fear of loss. Therein lies our opportunity and our challenge.

There is a deep well of domestic capital waiting to be deployed and I urge the industry to take advantage of this opportunity. Raise capital, create value for all stakeholders, and help define our economic future.

On our part, we have and will continue to streamline the capital raising process. The IPO listing and rights issue timelines have been shortened. The recent proposals for scale based approach in minimum public offer size and calibrated MPS timelines consistent with market absorption capacity and liquidity will enable and encourage more listings. The governance framework for MIIs has been strengthened, ensuring that public interest is given first priority.

Derivatives play a vital role in price discovery and risk management. We have taken several measures in a phased manner to address some of the challenges posed by this segment. Going forward, our approach will continue to be data-oriented, calibrated and consultative.

The block deal window has been reviewed comprehensively, with changes made to price bands and to the minimum order size. We are also committed to introducing the closing auction framework soon, aligned with other global jurisdictions but suitably designed for our requirements.

We are focused on deepening our cash equities market to spur capital formation. An active Securities Lending and Borrowing scheme is critical for improving price discovery and facilitating interlinkage between the cash and derivatives segments. From a borrower's perspective, it facilitates the settlement of securities sold short, while lenders can earn a fee on their idle securities. The framework for short selling was introduced in 2007 and has remained unchanged since then. Further, the Securities Lending and Borrowing Mechanism was introduced in 2008 and modified a few times subsequently. However, this segment remains significantly underdeveloped as compared to other jurisdictions. We will soon form a working group to comprehensively review short selling and the SLBM frameworks.

Mutual Funds - The Rise of the Domestic Investor

The mutual fund industry AUM now exceeds ₹75 trillion. Monthly SIP flows of over ₹280 billion show that awareness about disciplined saving and long term investing is taking deeper roots among Indian households.

Yet, SEBI's investor survey underlines that despite high awareness of MF products (~53%), their penetration remains low at 6.7%. The AUM of mutual funds is still less than 25% of our GDP, while they are over 80% of GDP in many advanced economies. Huge opportunity lies in deepening this penetration. Moreover, financial inclusion will remain incomplete unless women are equally represented.

Towards this end, we have revised the incentive structure for distributors to on-board first-time women investors and new investors from beyond the top 30 cities.

The challenge lies in ensuring that there is no mis-selling. Mutual funds must be products that retail investors can trust. We have worked with AMFI to strengthen the monitoring mechanism for mis-selling/misconduct by distributors.

Corporate bond market

Corporate bonds outstanding have increased with a CAGR of over 12 per cent from 17.5 trillion rupees at the end of FY 2015 to about 54.8 trillion as of September 2025. During the current financial year, around 5 trillion-rupee worth of bond issuances have already taken place. Several initiatives have been made to develop corporate bond market further, such as:

- mandatory Electronic Book Provider (EBP) platform for debt issuance of Rs. 20 crore or more,
- reduction of minimum face value to enable access to retail through Online Bond Platform Providers (OBPP), and
- liquidity window to provide option to exit before maturity.

However, much needs to be done to deepen the market and improve secondary trading and liquidity, especially in the area of retail investor awareness about the debt market, which is much less than the equity market.

Municipal bond market as well as market for green, blue, yellow, social, sustainability linked bonds have been enabled through regulations. They are still at a nascent stage but have a potential to take off.

Cyber Safety, Investor Awareness and Education

This brings me to one of the most important challenges- the challenge of investor protection. Investor protection begins with investor education.

We face onslaught of fake apps, cloned web sites, unrealistic performance claims, and unregistered entities misleading investors. Unregulated "finfluencers" poses a direct risk to investors, with nearly 62% investors making investment decisions based on their recommendations, as SEBI's Survey points out.

Our response has been on multiple fronts. We have launched a dedicated awareness campaign - 'SEBIvsSCAM". We are actively monitoring social media for misleading content, with more than 1 lakh such items being escalated for taking down. Stock exchanges have been mandated to publish a regularly updated list of whitelisted broker apps on their websites.

We have also recently launched the utilities of "Valid UPI" and the "SEBI-Check" where investors can easily verify the authenticity of bank accounts or QR codes of SEBI intermediaries. This is one of our major initiatives to combat cyber frauds.

Let me highlight some more data from our investor survey:

- 22% of aware non-investors intend to invest within the next year.
- 36% of investors possess high or moderate knowledge of the securities market.
- Urban participation at 15% is significantly higher than rural, 6%
- 37% of those surveyed are not aware of securities market products.
- 27% of non-investors don't know how to start investing.

Our challenge is two-fold. First, to bridge the gap between awareness and action. Potential investors are being held back by risk aversion, perceived complexity, and a lack of trust. Second, there is an opportunity to bring new investors into the fold of responsible investing.

SEBI's investor campaigns going ahead will cover multiple formats - digital, multi-media, physical interaction - and multiple languages to build a new generation of informed, responsible investors.

Optimum Regulation

Our regulatory stance of "optimum regulation" is aligned towards making our markets future-ready. We believe in smarter, and forward-looking regulations. In the past few months, several reforms have been taken for ease of doing business with due regard to risk management.

We are already simplifying and updating various regulations - the comprehensive reviews of stock broker and mutual fund regulations are underway.

We are soon going to take up a comprehensive review exercise for LODR 2015 and Settlement Regulations.

Conclusion - Our Shared Vision

Ladies and gentlemen, SEBI's regulatory stance is clear. We are, first and foremost, the guardian of trust in our markets. But we are also a facilitator of capital formation, enabling both investors and enterprises to participate with confidence and with ease of doing business.

Thank you. Jai Hind!