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PRESS RELEASE

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SEBI Studies Indicate Key Trends in Retail Participation, Trading Behaviour and Profitability in the Equity Derivatives

The Securities and Exchange Board of India (SEBI) has released two analytical studies, conducted by its Department of Economic and Policy Analysis (DEPA), examining the participation and trading outcomes of individual investors in the Equity Derivatives Segment (EDS).

The two studies are:

1. **Profitability of Individual Traders in the Equity Derivatives Segment (FY25–FY26)**
2. **Trading Behaviour of Individual Traders in the Equity Derivatives Segment (FY25–FY26)**

The studies analyse client-level data covering equity derivatives transactions, transaction costs, investor demographics, trading behaviour and participation patterns. The first study is based on information collected from the top 15 brokers in the equity derivatives segment, the sample represents approximately 90% of all individual investors in this segment. The second study on trading behaviour is primarily based on a random sample of 5,000 individual traders, along with the sample profitability data from top 15 brokers. Together, these two studies seek to provide a comprehensive understanding of profitability, trading behaviour and investor participation in the equity derivatives segment.

Major Findings

A. Profitability of Individual Traders

1) Active individual traders declined by about **20%**, from **98.1 lakh in FY25 to 78.6 lakh in FY26**, while new entrants declined by about **40%**, indicating moderation in retail participation.

2) Aggregate net losses of individual traders declined to about **₹91,685 crore in FY26**, compared with about **₹1.12 lakh crore in FY25**.

3) Despite lower aggregate losses, **87.7%** of individual traders continued to incur losses during FY26.

4) Average loss per trader increased marginally to about **₹1.17 lakh** during FY26.

5) Around **92% of aggregate losses** incurred by individuals arose from **options trading**. Share of traders who traded in futures segment declined marginally to 6.6% from 6.7%.

6) Proprietary traders (including global participants who operate in Trading Member – proprietary capacity in India and are owned by foreign entities) continued to record the highest gross trading profit[1] at about **₹44,000 crore**, followed by FPIs (**₹14,000 crore**), Corporates (₹8,000 crore), Mutual Funds (₹3,000 crore) and Partnership Firms/LLPs (₹3,000 crore). The gross trading loss of Individual traders narrowed to about **₹72,000** crore. 99% of profits for FPIs and Proprietary traders were made by "Algo entities"[2].

7) Individual traders incurred transaction costs of around **₹25,000 crore** during FY26. Over FY22–FY26, cumulative transaction costs paid by individuals were approximately **₹1 lakh crore**.

8) Although derivatives premium turnover moderated during FY26, total transaction costs remained broadly unchanged due to the increase in Securities Transaction Tax (STT) effective October 1, 2024.

9) Trading remained highly concentrated in contracts close to expiry. Approximately **59%** of index options turnover occurred in contracts expiring on

[1] *Gross trading profits means trading profits before accounting for transaction costs*
[2] *Algo entities are considered as those entities, who have done at least one trade in a year using algorithmic order.*

the same day (0DTE), around **75%** within one day of expiry and **97%** within one week of expiry.

10) About **35%** of individual EDS traders had no equity holdings[3], while nearly **78%** had equity portfolios below ₹1 lakh. Small-portfolio (portfolio below ₹1 lakh) traders accounted for about **70% of aggregate losses** despite contributing only about half of the turnover.

11) Loss rates fall steadily as equity portfolio size increases – from 93% for traders with no equity holding to 58% for those holding over ₹10 crore.

B. Trading Behaviour of Individual Traders

1) **Options buyers** continued to account for the overwhelming majority of traders and recorded substantially weaker outcomes than Options sellers. Majorly options sellers were the only strategy group to record positive median returns on capital employed during FY26.

2) Trading activity remained overwhelmingly concentrated in **options buying**. Nearly **97%** of traders predominantly followed option-buying strategies, while only around **2%** were classified as majorly Options sellers.

3) **Trading intensity**[4] emerged as one of the strongest characteristics associated with trading outcomes. Across several dimensions, higher turnover relative to capital employed or equity portfolio was associated with higher loss rates.

4) Younger investors, lower-income groups and traders with relatively small equity portfolios exhibited substantially higher trading intensity relative to their financial resources.

5) The incidence of losses remained high across levels of trading experience. Traders with several consecutive years of participation recorded similarly high loss rates, suggesting that greater trading experience in EDS was not associated with improved profitability.

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[3] *Equity Holdings/ Equity Portfolio means market value of equity shares and equity oriented mutual funds in demat form.*

[4] *Trading Intensity is defined in terms of multiple parameters viz. a) number of days traded in a year, b) turnover, c) turnover relative to capital or d) turnover relative to equity portfolio*

6) Losses also exhibited persistence. Among traders who incurred losses in two consecutive years and continued trading, around **90%** incurred losses again in the following year.

7) Quarterly analysis showed that losses were substantially more frequent than profits. Approximately **85%** of trader-quarter observations (number of traders **x** number of quarters traded) were loss-making, while only around **15%** were profitable.

8) Among traders experiencing both profitable and loss-making quarters, nearly **79%** recorded average gains during profitable quarters which were smaller than their average losses during loss-making quarters.

9) Between **28-40%** of traders active in one quarter did not trade in the immediately following quarter. Of those discontinuing trading, around **86–89%** had incurred losses in the previous quarter.

10) While many investors initially entered derivatives after participating in the cash market, the number of investors trading **only in derivatives** has increased significantly over time.

Purpose of the Studies

The equity derivatives market has witnessed significant growth in retail participation over recent years. These studies seek to provide evidence-based insights into the trading outcomes and behavioural characteristics of individual investors participating in this segment.

The studies analyse trading behaviour across multiple dimensions including trading strategy, capital employed, turnover, trading intensity, investor demographics, participation patterns and persistence of trading.

The findings are intended to contribute to a better understanding of retail participation in the equity derivatives market and support informed policy discussions.

The studies are available on the SEBI website at www.sebi.gov.in.

Study Name	Link of the reports on the SEBI Website
Study 1: Profitability of Individual Traders in the Equity Derivatives Segment	Link
Study 2: Trading Behaviour of Individual Traders in the Equity Derivatives Segment	Link

Mumbai

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