A Perspective on Mutual Fund Democratisation, Exchange-led Distribution and Financial Inclusion

Speaking Notes of Shri Amarjeet Singh, WTM, SEBI at the launch of NCDEX Nidhi

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1. Good evening. It is a pleasure to be here. I thank NCDEX for inviting me.

2. Markets evolve and expectations rise. And market institutions must keep renewing themselves — staying responsive to what our financial ecosystem needs, today and tomorrow. NCDEX is doing exactly that. The launch of NCDEX Nidhi — a mutual fund transaction platform — is a real milestone in this institution's journey. My congratulations to the entire team.

3. I will keep my remarks brief. I would like to touch upon three themes: the role of mutual funds in democratizing investing, the contribution that exchanges can make in expanding access, and finally, a few thoughts on financial inclusion.

A. Mutual Fund Democratization

4. Over the last decade, mutual funds have emerged as one of the most powerful vehicles for broadening participation in India's capital markets. Industry assets are at record levels. SIPs have become the go-to way for disciplined long-term investing. And we now have over six crore unique investors. What's especially encouraging is the resilience — inflows have kept coming even when markets have been volatile.

5. AMCs, AMFI, distributors, online platforms — the entire MF ecosystem has played a real role in shaping this growth story, and they deserve credit for it.

6. Yet, the opportunity before us remains far larger than what we have achieved. Mutual fund participation is still concentrated in larger cities. Smaller towns and rural districts remain under-represented. AUM from B-30 cities accounts for just around 19% of the total AUM.

7. So the next phase of growth will come from reaching entirely new segments of society who have never invested in mutual funds before. That’s why we have been encouraging AMFI and the industry to step up financial literacy and investor awareness in underserved districts.

B. Exchange-led distribution

8. This is where something like NCDEX Nidhi can really complement these efforts. NCDEX holds a unique position in India's agricultural ecosystem — it's built relationships and credibility across the value chain over the years. As I understand it, Nidhi is designed to reach farmers, rural entrepreneurs and other underserved communities through institutions they already trust — Farmer Producer Organisations, Cooperatives, Regional Rural Banks.

9. To my mind, this is a sound approach. It builds on trusted local institutions that already serve these communities. Experience across jurisdictions has shown that the most successful financial inclusion initiatives are those that have combined technology with trusted grassroots institutions. Technology can expand access, but trust is what converts access into meaningful participation. India today has the advantage of a robust digital public infrastructure, including Jan Dhan accounts, Aadhaar and UPI, which provides a strong foundation for such efforts.

10. Exchanges, for their part, bring something valuable too - transparent processes, resilient technology, and strong governance. So NCDEX Nidhi is combining two strengths: the reach and trust of grassroots institutions, and the technology and governance of an exchange. Put together, that's a distribution channel that can bring more communities into the formal investment fold.

11. The success of any platform will ultimately be judged not by the number of folios opened or transactions executed, but by the quality of investor outcomes. The objective should not be to distribute a mutual fund product at any cost, but to build investor confidence that endures over time.

12. This assumes even greater significance when the target audience is first time and relatively vulnerable investors. Product suitability, clear communication and investor education – these aren't nice-to-haves, they are critical. Equally important will be building the capabilities of the distribution network so that those interacting with investors have the knowledge and skills to provide appropriate guidance and support. Ethical distribution, where sales targets do not override fiduciary responsibility, is also key.

13. Online platforms should look at building in checks against mis-selling. High standards of data protection, cyber security and full transparency of fees and costs – these are the things that build trust over the long term.

C. Financial Inclusion

14. Let me now turn to financial inclusion.

15. Capital markets serve a broader purpose. They must not remain the preserve of a few, but should enable households across geographies, income groups and demographics to participate in long-term wealth creation. As our markets grow and deepen, their benefits should be shared more widely across society – that, to me, is the essence of financial inclusion.

16. Financial products are, however, fundamentally different from most other products. Investors commit their long-term savings, based not only on return expectations but also on confidence in the institutions they invest through and trust in those who guide them.

17. So financial inclusion is not just about making products available. It's about building markets that are fair, transparent and trustworthy—where risks and costs are clearly understood, assets are safeguarded, services are reliable and grievances are addressed effectively.

18. As technology reshapes the way financial products reach people, the conversation today is no longer only about enhancing the scale of distribution. It has to be about

scaling responsibly, about how trust can be strengthened in an increasingly digital environment, and about how the ecosystem can remain sustainable for investors, intermediaries, and markets alike.

19. It is this philosophy that continues to guide SEBI's regulatory approach. We are focused on simplifying the investor journey, improving product clarity, encouraging responsible innovation, expanding access without compromising on conduct standards, and making regulation more coherent and efficient.

20. Initiatives like NCDEX Nidhi can genuinely contribute to this objective by bringing many more first-time investors into the formal financial ecosystem. I congratulate NCDEX once again on this important initiative and wish it every success.

Thank you !