



International Journal of Humanities, Social Sciences and Development Studies (IJHSD)

(An International Peer-Reviewed (Refereed) Journal)

Website-<https://ijhds.nobleinkresearch.com/>

Email- editor@ijhds.nobleinkresearch.com

ISSN: 3139-8235 (Online)



Structure, Growth, and Regulatory Reform in the Indian Capital Market

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Received: 15 July 2026, Revised: 27 August 2026, Accepted: 15 September 2026, Available Online: 24 September 2026

<https://doi.org/10.68219/pq569190>

Abstract

Three decades ago, India's capital market was largely confined to paper. Physical share certificates, a manual settlement system, and an exclusive trading environment limited the market to a few. Today, however, this perception has changed dramatically, as India's market capitalization has grown exponentially. The purpose of this paper is to describe and analyze the current state of India's capital market and the factors contributing to the significant rise in its primary and secondary markets in recent years. The discussion will focus on the data collected from various reliable sources, including SEBI, AMFI, the two national depositories, and other market participants. Such information as the market capitalization, IPOs, mutual funds, demat accounts, and the derivatives segment will be presented and assessed. In addition, SEBI's role in the development of the market will also be considered. Ultimately, it will be concluded that India's market has grown considerably in value and now ranks among the five largest worldwide. Nevertheless, there are still issues for regulators to address, including the market's speculative nature and the need for more equal participation in different formats and regions.

Keywords: Indian capital market, primary market, secondary market, SEBI, IPO, mutual funds, derivatives, financial regulation

1. Introduction

At its simplest level, a capital market serves a singular purpose; channeling long-term savings into productive avenues, whether that takes the form of fresh equity issuance, government borrowing, or simply a stock exchange buy-sell. For an economy as large and sprawling as India's, the efficiency of this mechanism directly impacts the rate at which its industrialization proceeds as well as the degree of confidence with which both domestic and foreign savings can be deployed. Decade ago, this used to be largely an institutional endeavor. That trend is rapidly evolving as tens of crores of retail investors, directly or indirectly, participate in the market process. As a consequence, the capital market landscape has changed massively over the last ten years.

A lot of this can be attributed to the post COVID-19 economic environment. Between 2021 and 2024, the indices saw a steady climb up the ladder to record-breaking peaks. Demat account penetrance rose over two times during the same period. India even became the 4th largest equity market in the world in terms of market value. The primary market was not far behind, since as of FY2025-26 India was registering the highest number of IPOs globally. However, this rapid growth came at a price. As a result of retail investors' heavy use of speculation tools, both derivatives and futures, the regulators at SEBI became concerned about the market's stability. The year 2024 and the first half of 2025 saw extensive changes being made in this area. It is only natural that, with time, the regulatory environment catches up with the changing circumstances. The present paper aims to serve a descriptive purpose. It attempts to detail the structure of India's capital market, as well as the reasons why it underwent such a tremendous transformation in the past decade. The regulatory responses to the changes are discussed as well. In doing so, this paper endeavors to become a comprehensive yet concise reference for students and researchers who are interested in the topic.

The transformation of the Indian capital market is significant not only in terms of market size but also in terms of market participants, financial instruments and market infrastructure. Dematerialization, electronic trading platforms, online brokerage services and digital investment channels have reduced the operational barriers that were in place to limit investment to a very few institutional and wealthy investors. Hence, individual investors have become more visible on both the equity and mutual fund market. This structural change has made investors more aware, educated and transparent and effective risk-management mechanisms to be implemented in the market. The development of the capital market is also closely related to the growth of financial intermediation in India. Mutual funds, systematic investment plans, exchange-traded products, and other market-based investment opportunities have provided households with new channels to make use of their savings. At the same time, the availability of digital platforms has enabled faster account opening, investment execution and market insights. Thus, the growth of participation is accompanied by the growth in the number of accounts but it is not equivalent to good participation. Thus, in order to understand the dynamics of the Indian capital market, it is important to study the quantitative expansion of participation.

Another of the key aspects of this transformation is that more and more the market expands and banks regulate. Regulatory institutions in India have to respond to new issues around investor protection, disclosure, market integrity, derivatives trading, corporate fundraising and risk management as the volume and diversity of trading takes place and the number of players and the variety of them has grown. This development of regulation is of particular interest in the context of the rapid growth of the number of retail participants in equity derivatives and the huge number of public issues.

Although the Indian capital market is expanding widely, that growth in market size is not a measure of market growth only. In addition to the number of people in the market, the kind of investment activity, different market segments, and investor protection mechanisms should be considered. That the equity markets, mutual fund assets, IPO activity and derivatives trading markets are growing so rapidly is indicative of the very multi-dimensional nature of the capital market development of India. Such dimensions together give some insight into how the Indian capital market has developed and the regulatory hurdles involved.

Based on this, we investigate the structure and recent dynamics of the Indian capital market, market capitalisation, primary-market activities, mutual funds, retail participation and derivatives market in particular. We also look at the major regulatory changes and the challenges that are due to the growth of the market. We aim to summarise the present Indian capital market and the regulatory responses to the change in the market in this direction in the present day.

2. Review of Literature

Studies on the Indian capital market have been clustered around different reform periods. Gokarn (1996) studied the 1992-96 reforms and their impact on the regulator and the political-economy and concluded with a positive outlook, except for three issues viz. the regulator's lack of fixed institutional standing, lack of competitiveness and influx of low-quality listings that were to prove persistent. Neelamegam and Srinivasan (1996) took a more limited approach and studied whether the 1956 Securities Contracts Act's and the newly-enacted SEBI Act's provisions for investor protection were adequate, plus the dynamics of trading in both the primary and secondary markets. Jain (1999) countered the thesis that reform of the equity market was enough by arguing that reform of debt markets, disclosure practices and derivatives-based risk management were equally vital. This paper tests this hypothesis using a later-dated dataset. JawaharBabu and Naidu (2012) took a closer look at SEBI's investor-education initiatives and concluded that they were yielding results, although the overall feeling of confidence among investors was still insufficient for SEBI to ease up on protection for small investors. Amandeep and Ramanjit (2024) in the Indian Management Studies Journal examine the AUM composition of mutual funds from 2018 to March 2024 and find that it rose from roughly Rs 21.36 lakh crore to Rs 53.40 lakh crore at a CAGR of nearly 16.5 per cent, with individuals gradually overtaking institutions. They note that these figures are in line with the AUM series as at the end of the fiscal year, used later in this paper, another useful verification. Potharla (2025) covered the entire period of 2010-2025 and found that the

AUM of mutual funds had increased roughly ten times during that period, and the number of retail demat accounts had risen from below 20 million to more than 130 million. He attributed this largely to SEBI's disclosure and listing reforms and new instruments like REITs and InvITs introduced by SEBI, but noted that corporate bonds remain underdeveloped and equity turnover is still concentrated in a few hands. Two observations stand out: one, that reforms led by SEBI have driven the structural turnaround in the Indian capital market dating back at least to the early 1990s. Two, that growth has not been uniform — the secondary market and the mutual fund industry have overtaken the corporate bond market, and retail participation, while rising significantly, is still concentrated in a handful of large cities. Even the study by Potharla (2025), the most extensive one, ends in 2025 and does not cover the record fundraising by companies in the form of IPOs in FY2025-26 or the developments in the F&O sector. Most of the earlier studies look at either the primary market or the mutual fund industry or the retail segment in isolation and not at the capital market as a whole. This paper attempts to address this limitation and present an updated account of the capital market covering FY2025-26.

Recent studies have started to examine the evolution of the Indian capital market from the perspective of increasing retail participation and financial intermediation. The development of online investment platforms, simplified account-opening procedures and systematic investment mechanisms has changed the way that people access financial markets. With the increase in mutual fund assets and systematic investment plans, we can observe a change in the status of household investment from saving to market-based products. At the same time, the surge in demat accounts is showing that equity market participation is much more accessible to people. But the number of registered accounts is not enough to measure the extent or quality of the participation because the participation in the market is about what one actually does with account ownership, active trading, investment behaviour and financial literacy. The literature also indicates that the development of the Indian capital market has come in a different way for different financial instruments. It is important to mention that while the equity and mutual fund segments have been growing so rapidly, the corporate bond market has not made so much structural change. A mature capital market will provide a wide range of financing and investment alternatives as opposed to just equity-based ones; so how deep and diversified is the Indian capital market as a whole? Currently, market development should therefore not be based on the size of the total, but instead the level of market development in different sectors.

Another emerging area in the literature is the rapid growth of the derivatives market and the growing number of retail investors in futures and options. Short-term and index-based derivatives have brought an additional dimension to the Indian capital market that is available through online trading platforms. Derivatives are fundamental for price discovery, hedging, and risk transfer but the growing usage by retail investors has raised concerns regarding how knowledgeable, risk managers and speculation is done. The regulatory measures introduced by SEBI in 2024 and subsequently are a major development that should be taken into account along with the bigger picture of capital market growth. A review of the existing literature of such regulatory changes is

valuable for understanding the current situation but in the context of a much larger and more digitally accessible market.

The literature also points out that technological development and regulatory reform have been increasingly connected. In the past, capital-market reforms were geared toward institutionalization, investor protection, disclosure standards and the upgrading of trading and settlement systems. Today, regulators also need to deal with algorithmic and technology-enabled trading, rapid dissemination of financial information, digital onboarding of investors and the large number of retail traders. As a result, the regulatory framework has evolved from the institutional foundations of the securities market to taking on the risk of the securities market becoming more complex, more complex and more diversified.

Collectively, the literature has provided some evidence on individual dimensions of the Indian capital market development. A comprehensive assessment of market capitalisation, primary market fundraising, mutual fund expansion, retail participation, derivatives trading, and regulatory reform needs to be made within the same framework. In particular, the increase of IPO activity, mutual fund assets, demat accounts, and derivatives trading has changed the scale and composition of the market beyond the time period of several prior studies. It is therefore useful to review these developments to get a sense of whether the recent growth is a structural transformation or not, and whether there are still significant differences across different segments of the market and participants.

3. Objectives of the Study

- To study the structure of the Indian capital market comprising of primary and secondary markets and their supporting institutions
- To study the growth trends in the capitalization of the stock markets, IPOs, mutual fund assets, and retail participation in the market in recent years
- To study SEBI's regulatory reforms and their impact on the development of the capital market and investors' protection
- To identify the key challenges that the Indian capital market faces today despite its significant growth

4. Research Methodology

It is a descriptive study that makes use of secondary information only as there was no survey or data collection exercise by the author. The secondary information used includes SEBI's annual and monthly reports, AMFI's statistical releases, disclosures by NSDL and CDSL, publications by NSE and BSE, and reports by established financial dailies and consulting firms for 2024-26. In cases where two reports provided differing values for the same time period (usually because of the difference in their reporting dates), the most recent and widely corroborated value has been used

(without taking an average of the varying numbers that were reported). The information has been grouped into five sections – the primary market, the secondary market, mutual funds, retail participation, and derivatives – and is presented descriptively without statistical hypothesis testing.

The study has focused on the recent development of the Indian capital market with emphasis on the time period from 2024 to 2026. We have included historical data where necessary to find long-term growth trends. Our choice of this period was to capture the recent growth in market capitalisation, IPO activity, mutual fund assets, retail investment, and derivatives trading, along with the measures taken by the government to regulate stock markets in this period. Historical data was also used as reference periods to compare the recent developments with the position of the market in earlier years.

The secondary data have been chosen for analysis according to their relevance, recency, institutional credibility, and availability for similar timescales. We have used official and institutional data to focus on the official sources and institutional data (SEBI, AMFI, NSDL, CDSL, NSE, and BSE). We have also considered reports from established financial newspapers, financial institutions, and consultancies as supplementary sources, especially in terms of extra context or consolidated information. We have compared the information from secondary sources with institutional or regulatory data in any case.

The analysis is comparative and trend-based. In order to identify the direction and magnitude of the change in the Indian capital market, selected indicators are assessed over years or reporting periods. These indicators include market capitalisation, number and value of IPOs, mutual fund assets under management, demat accounts, retail participation, and derivatives market activity. The analysis is also based on major regulatory interventions in the study period and the impact of these regulatory interventions on market activity and participation of investors. The growth patterns are not based on econometric estimation or causal modeling but rather are treated as descriptive.

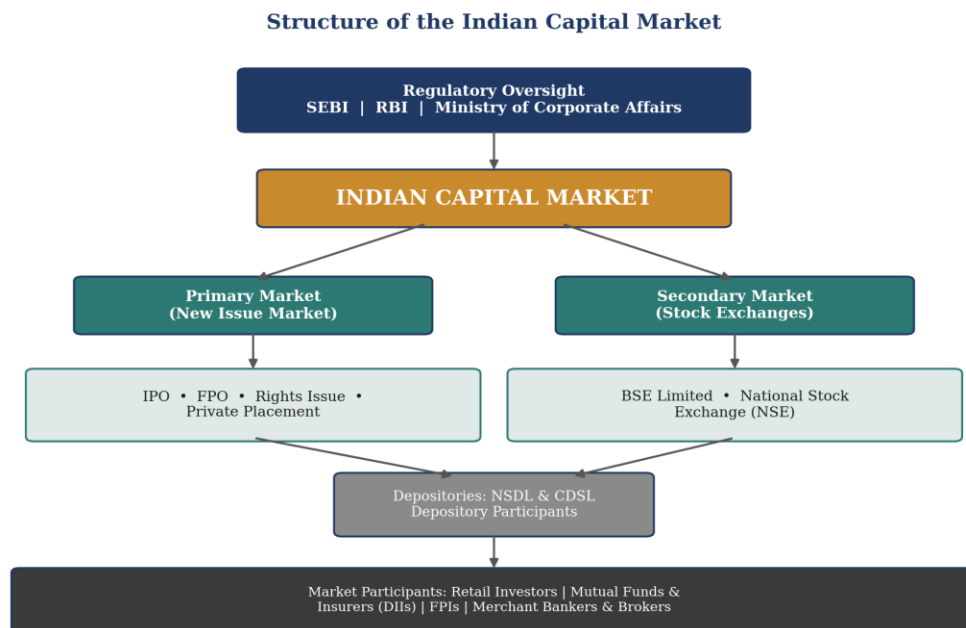
To keep the data consistent, monetary values are reported in the units used by the original sources and are converted or standardised as needed. Differences in reporting dates, fiscal year and calendar year conventions, or changes in published statistics have been considered when calculating the observations. If multiple sources give different values for the same indicator, we will report the highest possible value obtained from the most reliable (and likely relevant) source. We do not try to combine incompatible observations to produce a single average. The method is descriptive, comparative, and documentary in nature. It aims to provide an integrated picture of the structural transformation of the Indian capital market and not to establish statistical causality between regulatory reforms and market outcomes. As a result, our findings should be interpreted as evidence of observed trends and developments based on secondary information.

5. Structure of the Indian Capital Market

In general, the Indian capital market can be divided into two parts. The primary market, also known as the new issue market, is where companies raise new funds. The securities issued are then traded in the secondary market. There are two major stock exchanges in India: BSE Limited, Asia's oldest exchange, and the National Stock Exchange.

Behind the two market systems are a number of institutions that facilitate the trading process. It is carried out by two depository organizations, NSDL and CDSL, through their depository participants (mainly banks and brokerages). Merchant bankers, underwriters, and registrars form the primary market ecosystem, while stockbrokers, clearing corporations, and custodians make up the secondary market infrastructure. Institutional investors (domestic and foreign) such as mutual funds, insurers, and pension funds, as well as overseas portfolio investors, and recently individual retail investors, form the backbone of the Indian capital market. They participate in the trading process, with the former accounting for a far larger portion of it (than foreign institutional investors did a decade ago). The Securities and Exchange Board of India regulates the development of the Indian capital market, under the SEBI Act, 1992. It oversees issuers, intermediaries, and stock exchanges, while the Reserve Bank of India handles capital flows, and the Ministry of Corporate Affairs deals with company law issues.

Figure 1: Structural overview of capital market of India



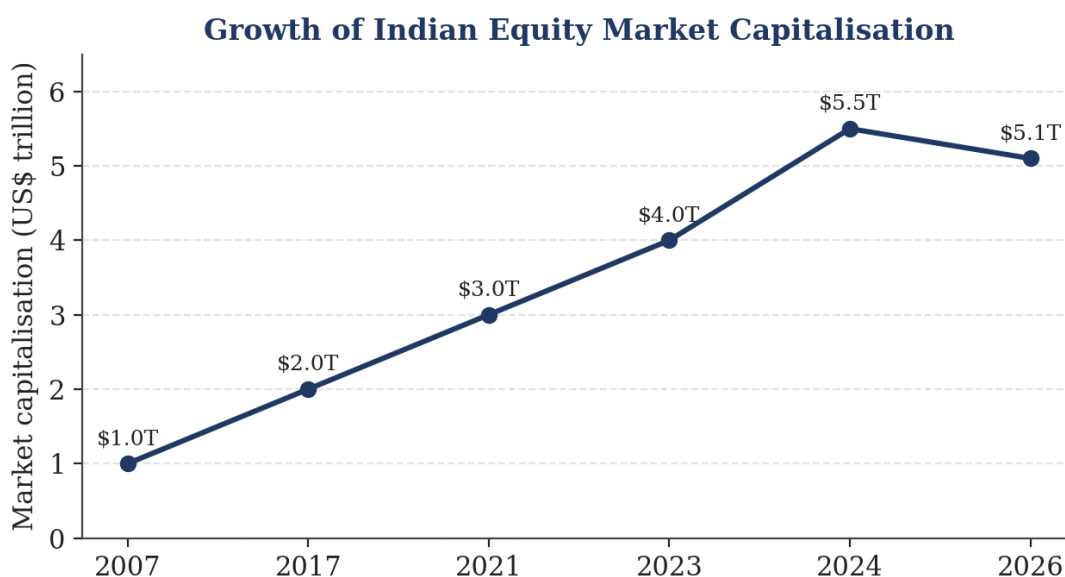
Source: compiled by the author from the SEBI Act, 1992, and the official disclosures of SEBI, NSE, BSE, NSDL, and CDSL.

6. Growth Trends in the Indian Capital Market

6.1 Growth of Market Capitalisation

The pace at which the Indian secondary market has grown has caught even experienced participants off guard. Going from one trillion dollars in combined market capitalisation, back in 2007, to two trillion took roughly a decade. Every milestone after that came faster. Four trillion arrived in 2023. Five trillion followed by May 2024, and by mid-2024 the market had touched five and a half trillion dollars a level it has more or less held onto since, with BSE-listed firms' combined capitalisation still sitting around five trillion dollars in mid-2026. Two things explain most of this: strong corporate earnings, and a genuine structural shift of Indian household savings into equities, which has made the market somewhat less hostage to foreign portfolio flows than it used to be. India has held a place among the world's five largest equity markets for most of the period since 2023.

Figure 2: Growth of Indian equity market capitalisation, 2007-2026 (US\$ trillion)



Source: compiled from BSE, NSE, and Business Standard market data.

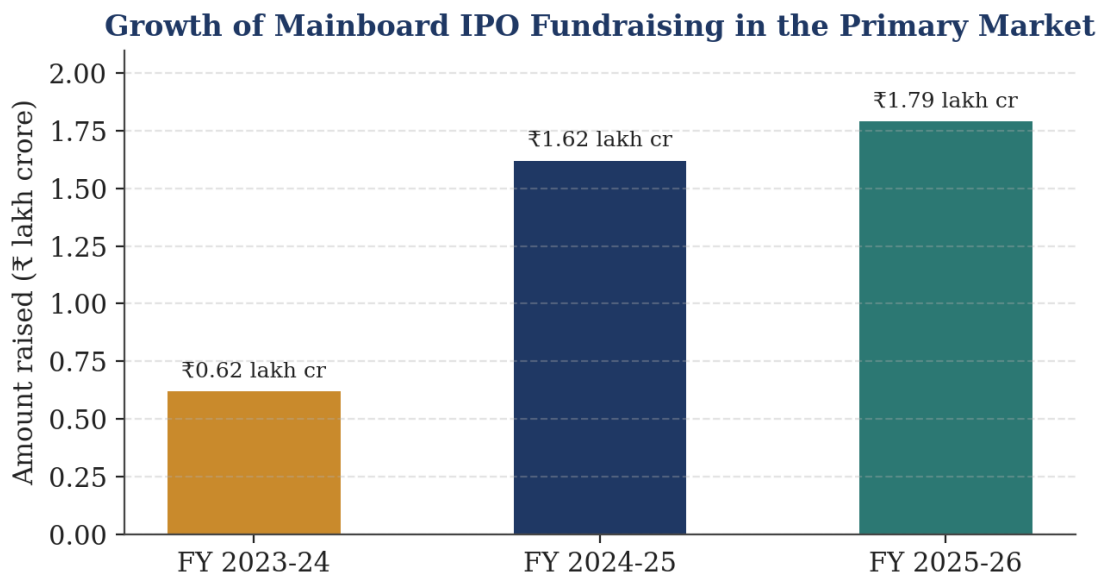
6.2 Growth of the Primary Market and IPO Activity

If there is one area within this boom that has proved most challenging to miss, it is the primary market. In 2025 alone, India witnessed 373 public issues 103 on the mainboard and 270 on the SME platform, collectively raising close to Rs 1.95 lakh crore, more several times than the IPOs raised some years ago. Per SEBI's Annual Report for 2025-26, India led the world in the sheer number of IPOs and ranked third globally in the funds raised, despite the backdrop of geopolitical uncertainty and the volatile flow of global capital. Financial services, along with the broader media-consumer-healthcare space and industrials, accounted for the largest share of that

fundraising, with infrastructure companies in particular focusing heavily on fresh share issuance rather than existing shareholders simply selling down.

Two other observations stand out here. Mid-sized issues roughly Rs 1,000 to Rs 1,500 crore in fact delivered the best listing gains in FY26, suggesting that investors have indeed become more selective and rewarding earnings visibility rather than hype-driven, heavily oversubscribed listings. There is a geographic shift as well: issuers from Tier-2 and Tier-3 cities now account for more than a quarter of total IPO value, up from roughly four per cent in 2021, and so the primary market is not solely a metro-centric story. Some of this acceleration comes down to the process SEBI has adopted automated pre-screening of draft prospectuses and moved to concurrent rather than sequential review with merchant bankers and exchanges, cutting down approval timelines considerably. Looking at it year by year, mainboard IPO fundraising grew from around Rs 62,000 crore in FY2023-24 to Rs 1.62 lakh crore in FY2024-25 and to a record Rs 1.79 lakh crore in FY2025-26 India's first back-to-back record years for IPO fundraising, even though the final quarter of FY2025-26 was relatively quiet.

Figure 3: Growth of mainboard IPO fundraising in the Indian primary market, FY 2023-24 to FY 2025-26 (₹ lakh crore)



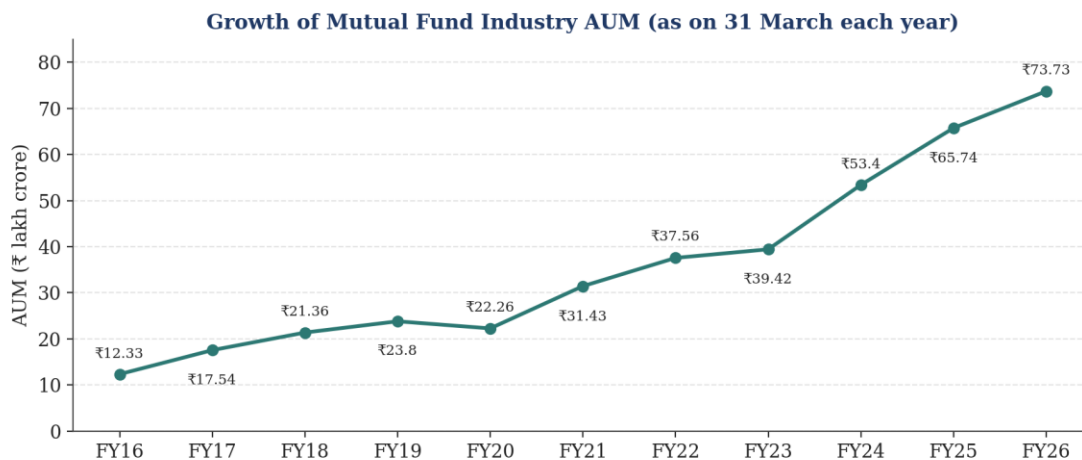
Source: compiled from Prime Database and Business Standard reporting

6.3 Growth of the Mutual Fund Industry

Mutual Funds have arguably done more than any other channel to usher in retail savings into the capital market. Tracking the assets under management at each fiscal year-end provides a cleaner perspective over an entangled set of dates and offers an interesting insight into the trend. The AUM grew from Rs 12.33 lakh crore in FY2015-16 to Rs 23.80 lakh crore by FY2018-19, only to dip a

little to Rs 22.26 lakh crore in FY2019-20 as the COVID-19 crash sent the industry temporarily backward. The recovery, however, was swift with Rs 31.43 lakh crore by FY2020-21 and the growth trajectory picked up thereafter to Rs 39.42 lakh crore in FY2022-23, Rs 53.40 lakh crore in FY2023-24 and Rs 73.73 lakh crore by the close of FY2025-26, which is more or less six times more than where the industry was a decade back. Systematic investment plans (SIPs) deserve much of the credit for the aforementioned feat. They allow retail investors to put in a fixed amount of money every month irrespective of the state of the market and now have about 9.6 to 9.7 crore active SIP accounts with SIP assets comprising roughly a fifth of the industry AUM. Mutual fund assets, as per the AMFI-CRISIL Factbook, constitute 21.3 per cent of India's GDP in FY2026 compared to around 15.9 per cent in FY2021, a meaningful jump but still short of what is seen in developed markets, offering ample scope for growth. An interesting change has also been witnessed wherein individual investors now hold a larger share of assets vis-à-vis institutions in equity and hybrid schemes, a turnaround from a couple of decades back.

Figure 4: Growth of Indian mutual fund industry AUM at each fiscal year-end (31 March), FY2015-16 to FY2025-26 (₹ lakh crore)



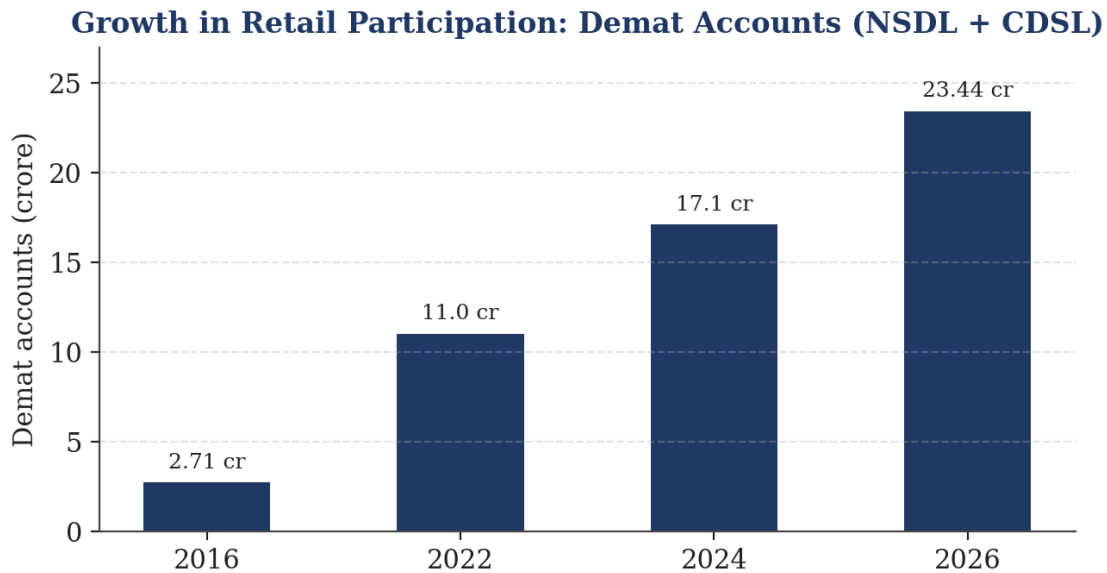
Source: AMFI (Mutual fund AUM, Mar 2026) Report

6.4 Growth in Retail Participation and Demat Accounts

If you were to pick a number that best represents how much the Indian capital market has opened up, it would be the number of demat accounts that are there. The accounts are mandatory, and it took somewhere close to twenty-five years from when they began, and it crossed the eleven crore mark in December 2022, for the combined account base of NSDL and CDSL to cross. The count passed seventeen crore by August 2024 and topped twenty-three crore by mid-2026, and this is all because CDSL, which caters to mainly retail investors, has the majority of them. The NSDL accounts hold more assets in custody because the client base there is skewed towards institutional and high-net-worth clients. The expansion follows smartphone-based discount brokers, simpler

KYC norms, and increased financial awareness, particularly amongst young and first-time investors from smaller towns, account for the surge in demat accounts.

Figure 5: Growth in retail participation as measured by total demat accounts (NSDL + CDSL)



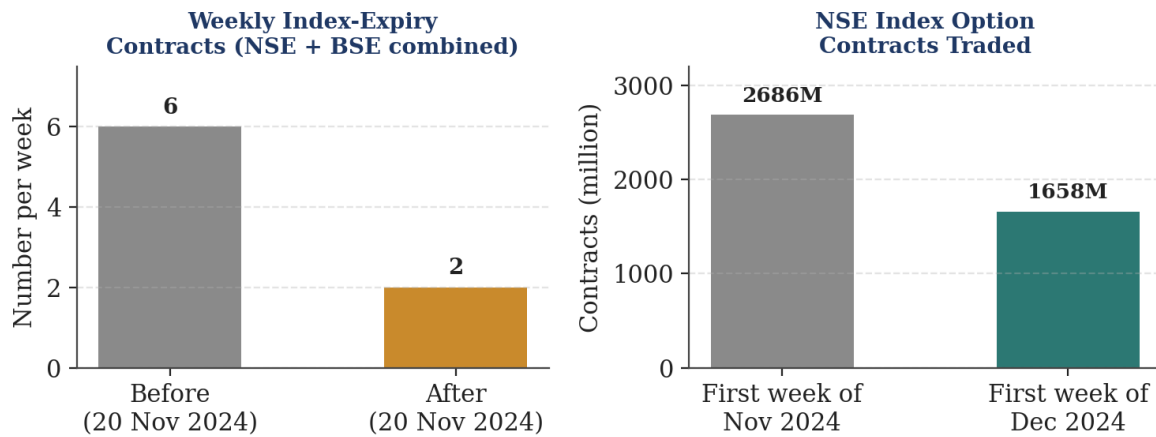
Source: compiled from SBI Securities, NSDL, and CDSL statistics

6.5 Growth and Regulation of the Derivatives Market

The futures and options segment grew fast enough to make India one of the largest derivatives markets in terms of notional turnover. Much of this action was in short-dated index options, especially contracts that expired within a day. This type of trading attracted a huge number of retail participants. The problem was that as found by a SEBI study, roughly ninety per cent of individual F&O traders lost money over a three-year stretch. This prompted the reform process. Beginning in October 2024, SEBI took six measures in phases. The minimum contract size for index derivatives was increased from about Rs 5-10 lakh to Rs 15-20 lakh. Each exchange was restricted to a single weekly index expiry (cutting the combined NSE-BSE weekly expiry count from six to two). Option premiums were to be collected upon upfront from February 2025. Expiry-day margins were tightened and intraday position-limit were to be monitored from April 2025. It did not take long to see an effect. Within weeks of the November 2024 changes, NSE index option volumes were down from about 2,686 million contracts in the first week of that month to roughly 1,658 million in the first week of December. Interestingly, aggregate premium turnover held fairly steady over the same stretch which suggests the reform mainly cut down the sheer volume of small, speculative contracts rather than pulling risk capital out of the segment altogether.

Figure 6: Early effect of SEBI's F&O reforms effective 20 November 2024 on weekly index-expiry contracts and NSE index option trading volumes

Early Effect of SEBI's F&O Reforms (effective 20 November 2024)



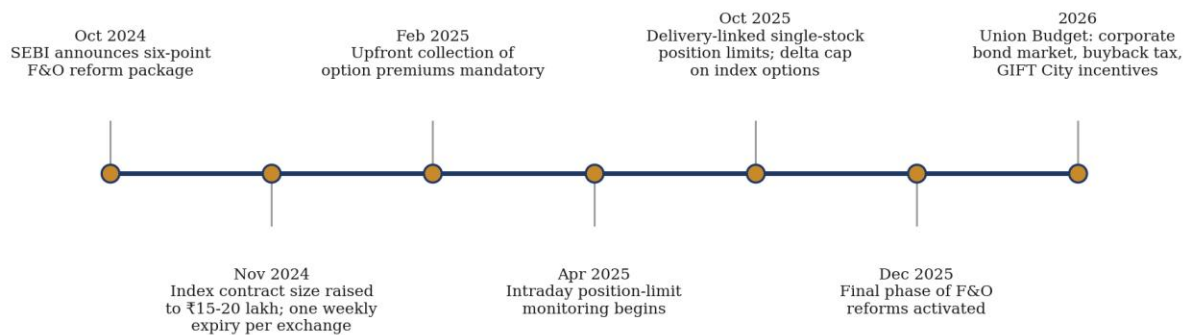
Source: Zerodha Z-Connect and Outlook Business reporting on SEBI/exchange data.

7. Regulatory Framework and Recent Reforms

SEBI has been at the forefront of regulating the Indian capital market since its inception in 1992, and the time-frame covered by this paper is no exception, with the regulator touching on a number of areas in relation to the capital market. Aside from the derivative-related measures discussed earlier, SEBI has continued its work on disclosure requirements for initial public offering (IPO) prospectuses, clarification of lock-in and offers for sale, and reductions in the time-frames for changes to rights issues, which market participants and consulting firms have generally credited for facilitating the easier assessment of new issues. The timeline below lays out these measures alongside the complementary fiscal steps taken in the 2026 Union Budget.

Figure 7: Timeline of key SEBI derivatives-market reforms and complementary fiscal measures

Timeline of Key SEBI and Policy Reforms, 2024-2026



Source: compiled from Business Standard, Zerodha Z-Connect, and Grant Thornton Bharat reporting

SEBI has also put money into technology-driven review processes to clear draft offer documents faster, which has helped it keep up with the record volume of IPO applications coming in. The old process, largely sequential in nature, could stretch out to six months. Now SEBI aims to clear most applications within roughly three months, using AI-based pre-screening of filings and closer, more concurrent coordination between SEBI, merchant bankers, and exchanges a shift shown in the chart below.

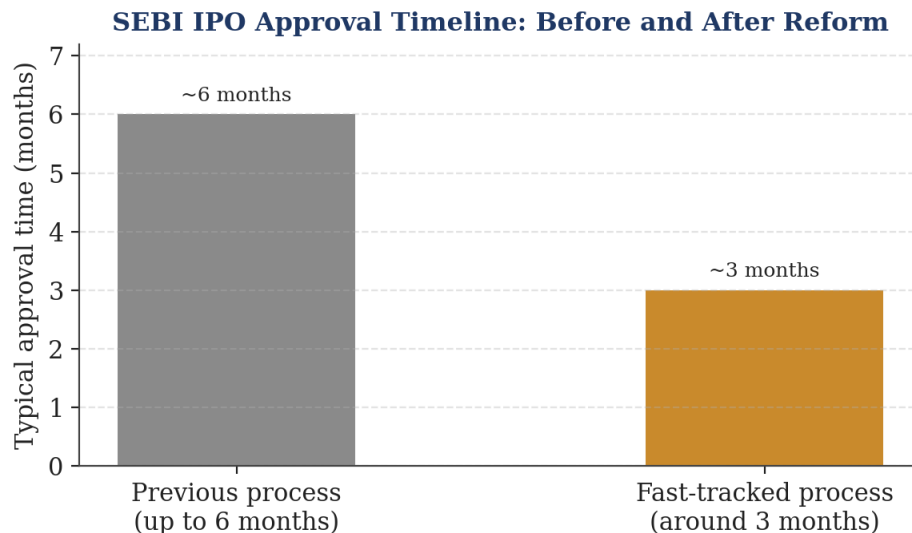


Figure 8: Reduction in SEBI's typical IPO approval timeline following 2025 process reforms. Source: Business Standard (9 September 2025), "Sebi expedites IPO approvals as it looks to ease regulations."

None of this has been SEBI acting alone, either. The 2026 Union Budget included its own set of measures deepening the corporate bond market, simplifying how share buybacks are taxed, and offering regulatory incentives for businesses operating out of GIFT City all designed to complement SEBI's work and make Indian capital markets more attractive to both domestic and foreign investors. Put together, these steps suggest a fairly clear policy consensus: growth this fast requires improvement in such areas as transparency, risk management and investor protection, and cannot be left to take care of itself.

8. Challenges and Concerns

Nonetheless, difficulties that continue to differ in the Indian capital market still remain. The losses of retail investors in the derivatives market, which we have discussed previously, demonstrate the degree of superiority necessary for working with such products, which cannot be solved only with stricter regulation of these markets, as there must also be improvement in the equity knowledge of investors. Also, other sectors have undergone different periods of disproportionate unusual consumption in the bull run and an adjustment similar to what took place in October Fox in 2023 may always be expected again in the future. In addition, the market is also influenced by the geopolitical situation and trade wars and this may influence foreign investments in the case with the US changing its monetary policy position. Furthermore, there appears to be a certain amount of imbalance in terms of mutual fund participation, as a majority of the number of investors continues to reside in the top thirty cities, which comprise over eighty per cent of industry assets. While greater digitisation has led to the number of demat accounts to swell, the number of active accounts per month is significantly lower, indicative of a sizeable proportion of inactive accounts that fail to participate in the markets on a continuing basis. How India addresses these challenges, as also the opportunities presented by its burgeoning financial literacy and an improving ecosystem, will determine the future trajectory of the market.

9. Conclusion

The Indian capital market has undergone such structural transformation in the last 20 years, especially as a result of the development in recent years. In this study, we found significant growth in almost all major sectors of the market, including equity-market capitalisation, primary-market fundraising, mutual fund assets, retail participation and derivatives activity. The rise in market capitalisation indicates a growing scale and depth of the Indian equity market, and IPO activity indicates that the primary market is becoming a key source of corporate fundraising. At the same time, the huge increase in mutual fund assets and systematic investment plan participation shows the increasing use of market-linked financial products in household savings and investment.

Retail participation is another important component of this transformation. The fast growth of demat accounts and the wider range of digital investment platforms have helped to overcome a number of the old barriers to participation and allow more and more people to invest in capital-market instruments. But the higher number of accounts shouldn't be interpreted independently of

the quality and kind of participation. Financial literacy and knowledge about investment, geographic distribution, and level of active participation are still key elements for evaluating the inclusiveness and sustainability of market development. Moreover, research illustrates different development rates for markets. The fast expansion of such capital markets as stock exchange, mutual funds, IPOs, and retail participation is contrasted with the slow growth of corporate bond market. Furthermore, it is the rapid expansion of the derivatives market that has created risks and opportunities for price discovery, but has raised concerns with respect to investors as well as management of market risks. Therefore, market size as such is not a sufficient criterion of capital market development - density, diversity, quality of participation, and efficiency of oversight mechanisms are equally important. Regulatory changes have always been a key element in the innovation process of the capital market in India.

The developments with regard to regulatory processes illustrated in this research study suggest that while the market is expanding, the demand for transparency, risk coverage and investor protection has also increased. However, the effectiveness of regulation depends not only on its content but also on its implementation, compliance, investor education and responsiveness of market institutions to structural changes in the market. For the most part, the Indian capital market has developed into a much larger and bigger financial space with a greater number of institutional and individual investors. However, there are several crucial issues like financial literacy, concentration of market players and their participation in the market and investors' protection that needs to be dealt with. Because the current research is descriptive in nature and is based on secondary material, it mainly reflects the trends rather than the cause-and-effect links between regulatory activities and market performance. Thus, the future research may build on this work by collecting data on investors, comparing market segments and studying the link between regulatory changes and market activity. This would give further insights into the evolution and long-term growth of the Indian capital market.

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