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Shareholders or Spectators: Role of Retail Investors in India

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Rise of Retail Investors

The Indian capital market has seen tremendous participation of retail individual investors in the last half-decade. The number of electronic account-holding securities demat accounts has reached a staggering 194 million in 2025, up from 36 million in 2019. Over the past year alone, more than 20 million new accounts have been added. In addition, the retail investor's ownership in NSE-listed companies has also increased to 17.6% in 2024, from 10.9 % in 2014. The growth can be attributed to improved financial literacy, increased access to the capital market, and shifting demographic and behavioural patterns.

The Participation Paradox

However, despite the remarkable growth in numbers, retail individual investors continue to remain passive investors with almost no influence on corporate governance in Indian companies. The 2025 report by proxy firm IIAS indicates that the retail investors' voting percentage is as low as 20%, whereas institutional investors and promoters have consistently demonstrated significantly higher voting percentages nearing 80%.

Impact of Retail Silence on Corporate Governance

This apathy among retail individual investors leaves the entire corporate governance largely in the hands of the institutional investors, which are often driven primarily by returns on their investment rather than by active monitoring. The 2024 data from Nifty 500 companies showed that only 24 resolutions out of 4840 were rejected, which also i[illegible]ven where the institutional investors dissented in notable percentages, resolu[illegible]ssed due to the lack of participation of retail investors. For example, in Mahanagar Gas Limited, a resolution for the appointment of a director was passed despite more than 50% of institutional investors voting against it. Due to the large shareholding of the promoters in Indian companies, the possibility of institutional investors acting as a countervailing force to the promoters seems weak without retail investors' support.

Such chronic disengagement of retail investors has ramifications beyond just voting patterns. It has paved the way for a host of malpractices like frequent related party transactions, promoter-influenced boards, tunnelling of corporate funds, insider trading, and opaque ownership structures, resulting in high-profile corporate governance failures like Satyam. The harm extends beyond individual companies because when retail investors generally view shares as a short-term trading asset, the overall market becomes prone to speculation and herd behaviour, leading to unnecessary volatility, weakening the incentive for long-term corporate stewardship.

Historical Apathy to Digital Empowerment

Historically, the apathy was attributed to the high individual costs of staying informed and voting, which outweighed their perceived negligible impact as they believed that their vote makes no real difference to the final result, vis-à-vis the large shareholdings of institutional investors and promoters. This is further compounded by the psychological phenomenon that the cost of becoming an informed voter is borne individually, while the benefits are collective, which tempts the retail investors to avoid voting and instead free ride on others' decisions. Any approval or disapproval is typically expressed through trading decisions of buying or selling shares rather than active participation through mechanisms like voting.

With the rise of technology, social media, and online forums transforming the way shares are held and voted upon, such apathy, however, increasingly becomes less rational. Low-cost online trading platforms have made direct ownership more accessible than ever, with e-voting eliminating many of the logistical barriers to participation. At the same time, social media has democratised financial knowledge and enabled coordination and communication amongst dispersed retail investors. These shifts have created unprecedities and compelling reasons for retail investors now to assert a more active voice in the corporate governance of Indian companies. The impact of these changes has already been observed in mature financial destinations like the U.S. The young investors are coordinating their engagement through digital platforms to advance larger goals like ESG-centric investment and stakeholder's interests, amongst others. This shift demonstrates that retail participation can extend beyond mere financial returns to shaping the ethical and sustainable trajectory of corporate governance.

The Indian regulatory framework empowers shareholder participation by incorporating provisions like proxy voting, postal ballot, right to call for a meeting, recognition of proxy advisors, along with enhanced disclosure requirements. It is time for companies to treat shareholder engagement as a business imperative and not only a regulatory chore. Newer and innovative steps, like the appointment of a shareholder relationship officer or the use of digital platforms to communicate with its retail shareholders, could address this passive involvement of retail investors. At the same time, technology has also made it possible for retail shareholders to strategise their engagement with corporations along with voting decisions on common platforms. At present, approximately 40% of the new investors entering the market are below the age of 30 in India, who, compared to the previous generation, exhibit greater risk tolerance and a higher level of tech-savviness, which is driving them to take more direct ownership in the companies. Collectively, these measures would go a long way in embedding a culture of active ownership among retail investors in India.

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