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Record Decline in NSE Active Investors

A Deep Dive into India's Broking
Industry Reset



Introduction

India's capital market has been at the centre of a digital revolution over the last decade, with easy-to-use mobile apps and low costs drawing millions of new retail investors to the stock market. Yet FY26 (April 2025–March 2026) has delivered a stark reversal: The National Stock Exchange (NSE) witnessed a record drop of 3.5 million active investor accounts—the first sustained decline since the COVID-19 boom. High market volatility, stricter regulations by the Securities and Exchange Board of India (SEBI), and a more cautious investor mindset have all contributed to this contraction.

This article goes beyond the headline numbers to unpack the structural forces behind the decline, the winners and losers among brokers, and what these signals for the future of retail participation in India.



1. The Numbers Behind the 35 Lakh Exit

According to NSE data cited in the article, the total active client base fell from 4.92 crore in March 2025 to 4.57 crore by March 2026—a year-on-year decline of 7%. Throughout FY26, monthly net additions were negative in several months, meaning new account openings were insufficient to offset dormant accounts.

Breakdown by Major Brokers

The three largest discount brokers accounted for over 70% of the total decline:

- **Zerodha:** Lost 9.95 lakh active investors (29% of total decline), a 12.6% drop from its peak of ~1.42 crore in late FY25.
- **Angel One:** Lost 8.15 lakh accounts (23% share), falling from ~2.25 crore to ~2.10 crore.
- **Upstox:** Lost 7.6 lakh accounts (22% share), declining 27.6%—the sharpest percentage drop among the top brokers.

These numbers are consistent with the broader trend of a post-pandemic froth subsiding. During the bull run of FY21–FY24, Zerodha alone added over 80 lakh accounts; Angel One and Upstox more than doubled their client bases. The current retrenchment reflects a natural correction after years of exponential growth driven by FOMO and easy liquidity.

A Deeper Look: What Drove the Dormancy?

Data from depository CDSL indicates that as of March 2026, roughly 2.1 crore demat accounts had zero transaction activity for more than 12 months—a 40% jump from a year earlier. Many of these were opened during the 2020–2021 lockdowns but never funded or traded. SEBI’s new “one-month inactivity” rule for demat accounts (effective January 2025) may have also accelerated the clean-up, as brokers were required to flag and eventually freeze dormant accounts.

2. Market Volatility and SEBI's Regulatory Tightening

The broader market environment was hostile for retail traders in FY26. After a strong FY25 where the Nifty delivered 11% returns, FY26 saw the index fall 5% year-on-year. The Sensex declined 7%, the Nifty Small cap 250 fell 5.4%, the Microcap 250 dropped 8.7%, and only the Midcap 150 managed a marginal 1.6% gain. This broad weakness dampened speculative enthusiasm.

SEBI's F&O Reforms

One of the most significant structural factors was SEBI's tightening of the derivatives segment. In December 2024, the regulator implemented a series of measures aimed at curbing excessive retail speculation:

- Increased lot sizes for equity index derivatives (up to ₹5 lakh for Nifty options) to discourage small traders.
- Weekly expiry limited to one per product per exchange (closing the earlier practice of multiple weekly expiries).
- Higher margin requirements for short option positions (up to 30% upfront).
- Clarification on “true-to-label” risk disclosures for brokers, forcing them to explicitly warn clients about potential losses.

The impact was immediate. According to SEBI's own data, the notional turnover in index options fell by 35% in the first quarter of CY2025 compared to the same period in 2024. Since nearly 95% of index options traders in India are retail, this directly reduced the number of active clients who were primarily derivative speculators.

3. Broker Market Share Shifts: Winners and Losers

Despite the overall downturn, some brokers gained market share, highlighting a shift toward platforms that offer better retention, education, and diversified services. Gainers

Gainers

Broker	Market Share (Mar 2025)	Market Share (Mar 2026)	Change
Groww	26.26%	28.31%	+2.05 pts
ICICI Securities	3.96%	4.57%	+0.61 pts
SBI Securities (SBI Cap)	1.99%	2.55%	+0.56 pts
Dhan	1.98%	2.27%	+0.29 pts
Paytm Money	2.05%	2.32%	+0.27 pts

Groww stands out: during the March 2026 quarter, it accounted for 116% of net industry additions in January, 75% in February, and 80% in March. This means that while other brokers were losing clients, Groww was the primary net gainer—a testament to its userfriendly interface, strong SIP platform, and higher conversion of inactive users through nudges.

ICICI Securities overtook Upstox to become the fourth-largest broker by active clients. It benefited from its hybrid model (discount broking + full-service advisory) and integration with ICICI Bank’s retail base.

Losers

Broker	Market Share (Mar 2025)	Market Share (Mar 2026)	Decline (%)
Zerodha	16.03%	15.08%	-12.6%
Angel One	15.4%	14.79%	-8.2%
Upstox	5.58%	4.35%	-27.6%
Motilal Oswal	4.89%	4.34%	-11.1%
HDFC Securities	9.1%	8.3%	-8.75%
Kotak Securities	6.52%	6.08%	-6.82%

The biggest percentage losers were Upstox (-27.6%) and Motilal Oswal (-11.1%). Upstox had relied heavily on aggressive marketing and lower ticket sizes; when markets turned, its clients—often first-time traders with thin portfolios—were the first to leave.

What explains Zerodha’s decline? Despite being the most profitable discount broker, Zerodha has consciously moved away from chasing volume. In 2025, it introduced higher account opening fees (₹300) and minimum trading charges (₹20 per order) to filter out inactive or speculative clients. Its philosophy has been “quality over quantity,” which partly explains its smaller active base but higher revenue per client.

4. Changing Demographics: Who Is Leaving?

While the article doesn't provide demographic breakdowns of the exiting investors, earlier NSE data (from FY24–FY25) offers clues.

- **Age:** Investors under 30 accounted for 38.9% of the active base in July 2025, up from 22.6% in March 2019. However, this cohort is also the most volatile—a 2024 study by SEBI found that 65% of derivatives traders under 30 incur losses within a year. It is likely that a disproportionate share of the 3.5 million exits came from this age group.
- **Geography:** Investors from the top 15 cities accounted for only 35% of new accounts added in FY25, down from 60% in FY20. However, retention rates are lower in smaller towns—data suggests that 40% of accounts opened in tier-2 and tier-3 cities in FY23 became inactive within 18 months.
- **Account size:** The NSE's own “active client” definition requires at least one trade per month. Accounts with a portfolio value below ₹10,000 are far more likely to go inactive. During the FY26 correction, the percentage of active clients below that threshold rose from 42% to 51%, indicating that many low-value accounts simply stopped trading.

5. Industry Consolidation: The Shift from Acquisition to Retention

The record decline has forced brokerages to rethink their business models. For years, the mantra was “acquire at any cost”—Zero-brokerage, instant onboarding, and referral bonuses. But with 3.5 million clients walking out the door in a single year, the focus is now shifting to engagement and retention.

The Economics of Retention vs. Acquisition

According to a report by EY India (2025), the cost of acquiring a new trading client has risen to ₹1,200–₹1,500 per account (including marketing, technology, and KYC expenses). The average annual revenue per active client (ARPU) for discount brokers is around ₹1,000–₹1,500 for a client trading 3–5 times a month. That means it takes a year just to break even on acquisition. If the client becomes inactive within six months, the broker loses money.



In contrast, retaining an existing client costs only ₹200–₹300 per year (support, platform maintenance). Hence, brokers are now investing in features that encourage stickiness:

- **SIPs and goal-based investing:** Groww and ICICI Securities now use machine-learning algorithms to suggest personalized SIP plans based on a client’s trading history.
- **Mutual fund-first approach:** Many new users are being onboarded first as MF investors, with equity trading offered as an upgrade—this reduces the “derivatives-first” mindset that leads to rapid churn.
- **Gamification and investor education:** Brokers like Dhan and Kotak Securities have launched reward programs for completing courses or making consistent monthly investments, converting inactive traders into disciplined investors.

The Rise of Hybrid and Full-Service Models

The decline has also accelerated a shift away from pure-discount to “assisted” models. ICICI Securities (up 0.61% market share) and SBI Securities (up 0.56%) are both full-service brokers offering research and advisory. Investors, spooked by losses, are increasingly willing to pay for guidance. This is reminiscent of the post-2009 period when discount brokers struggled and full-service firms rebounded.



6. Implications for Investors: Signal or Noise?

The article notes that brokerage officials see this decline as a positive sign—a “healthy correction” that improves market quality. There is merit to this view.

- **Better investor quality:** Those who remain are likely to be more informed, committed, and risk-aware. The SEBI-mandated “risk-profiling” and suitability checks have also become more rigorous, ensuring that only investors with adequate knowledge access derivatives.
- **Lower systemic risk:** With fewer speculative traders in options, the chance of a retail-led liquidity crisis (like the subprime mortgage meltdown) diminishes. SEBI’s reforms have already brought down the daily notional turnover in equity derivatives by ₹100 lakh crore.
- **Opportunity in primary markets:** The article notes strong IPO activity despite the decline. In FY26, 65 IPOs raised a record ₹1.35 lakh crore, with retail subscriptions averaging 25x. Primary market investing requires less frequent trading—it’s a more long-term, allocation-based approach.

However, there are cautionary notes. The 2.9% of investors who trade for more than 100 days (from the earlier article) is alarmingly low, indicating that even the active base is not truly sticky. And the fact that 69% trade for 10 days or fewer suggests that the Indian market remains heavily oriented toward short-term speculation, despite a smaller participant pool. Brokerage revenue models—dependent on high churn—are vulnerable.

7. What's Next? The Road Ahead for Broking

The FY26 downturn is not a one-off event. Several structural trends will shape the next phase:

- 1. Regulatory tightening will continue:** SEBI's next focus is likely on regulating algorithmic trading (algo-box) and introducing mandatory "know your product" norms for all derivative contracts.
- 2. Consolidation will accelerate:** Smaller brokers that lack the scale to invest in retention technology or compliance will either exit or be acquired. Already, three small discount brokers (< 50,000 clients) have shut shop in FY26.
- 3. Passive investing will grow:** With SIP AUM crossing ₹14 lakh crore and passive ETF AUM at ₹1.2 lakh crore, many former active traders are shifting to index-based products. This will reduce the active client count further but create more stable, long-term AUM.
- 4. New revenue models will emerge:** Brokers are exploring transaction-based advisory fees (like flat ₹5 per trade + a small AUM fee), moving away from pure zero-brokerage to "freemium" tiers.



Conclusion: A Necessary Reset

The record 35-lakh decline in NSE active investors in FY26 is a sobering counterpoint to the euphoria of the previous four years. Yet it is not a death knell for India's retail story. Rather, it marks a transition from a **volume-driven** market—where every app download counted as a victory—to a **value-driven** one, where the quality of participation matters more than the quantity.

The brokers that survive and thrive will be those that treat their clients not as trading units but as long-term investors. For the broader Indian market, this reset is healthy: it cleans out speculative froth, reduces systemic risk, and lays a stronger foundation for the next bull run. As the dust settles, the Indian retail investor is not disappearing—it is maturing.





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