InSight Bulletin: A Multidisciplinary Interlink International Research Journal
Peer Reviewed International, Open Access Journal.
ISSN : 3065-7857 / Website: https://ibrj.us / Volume-2, Issue-3 / March - 2025

Original Article

The Role of Fintech Innovations in Promoting Inclusive Participation in the Indian Stock Market

Lt. Rathod Bhushan Revasing[1], Dr. Zagade Sunil[2]
[1]Assistant Professor, Department of Commerce, MES Garware College of Commerce, Karve Road, Pune
[2]Research Guide, DRIC, MES Garware College of Commerce, Karve Road, Pune

Manuscript ID:
IBMIIRJ -2025- 0203011

Submitted: 03 Feb 2025

Revised: 26 Feb 2025

Accepted: 23 Mar 2025

Published: 31 Mar 2025

ISSN: 3065-7857

Volume-2

Issue-3

Pp. 49-51

March 2025

Correspondence Address:
Lt. Rathod Bhushan Revasing
Assistant Professor, Department of Commerce, MES Garware College of Commerce, Karve Road, Pune
Email:
rathod.bhushan786@gmail.com

OPEN ACCESS

Quick Response Code:

Web. https://ibrj.us

DOI: 10.5281/zenodo.15422228

DOI Link:
https://doi.org/10.5281/zenodo.15422228

Abstract
Indian stock market is the backbone of the national economy, contributing a crucial role in wealth creation and capital mobilization. Yet the space has historically been overpopulated by traditional institutional investors either at the top end of the income spectrum, leaving hardly any space for everyday retail investors, and especially not at the bottom. Though fast growing, retail participation has been low in the market, due to high barriers to entry, low financial literacy and perceived risks. This paper investigates how innovations by Fintech companies like mobile trading applications, robo-advisors, and micro-investing platforms, are changing the accessibility and inclusiveness of stock market investments. Using existing data available from peer-reviewed journals, industry analysis, and case studies, the paper emphasises that the technologies have opened up the stock market with lower transaction costs, a more simplified process of investment, and improving financial literacy. By streamlining cumbersome processes, fintech has made investing easier and torn down barriers to entry, allowing the smallest investors to access capital markets. However, challenges persist. The Fintech industry cannot achieve its maximum potential until millions in India become digitally literate, and appropriate infrastructure development occurs in rural and semi-urban sectors. Additionally, issues of fintech challenges includes security issues, data breach, and regulatory issues that ultimately makes it harder for fintech to reach its complete potential of inclusive finance. This study highlights the importance of focused interventions to improve digital literacy programs, bolster financial infrastructure and impose regulatory frameworks that enhance trust and security. The research provides recommendations for major stakeholders (regulators, financial institutions, and technology providers) and also lists some future research opportunities to explore the implications of new emerging technologies on financial inclusion in India further.

Keywords: *Indian Stock Market, Retail Investor Participation, Financial Inclusion, Fintech Innovations, Digital Financial, Digitalisation*

Introduction

The Indian stock market, one of Asia's oldest and most vibrant, is a pivotal part of economic growth through capital formation, wealth creation, and business expansion. With a market cap of over $3.5 trillion (SEBI, 2023), it is popular with both domestic and international investors. Despite that, participation has been limited and focused, particularly among retail investors in rural and low-income backgrounds, and has limited financial inclusivity and economic development. Fintech has changed the global financial services landscape, making services more accessible with mobile payments, digital lending, robo-advisors, blockchain, and AI-powered tools. With the advent of digitalisation, increase in smartphone penetration, and policies like Digital India and UPI, the sector in India has grown exponentially (RBI, 2022). While this has increased financial inclusion, it has not led to a marked increase in the retail investor participation yet.

Around 70% of developed economy households invest in stock markets, whereas only 4% of Indians (SEBI, 2021) do. Low financial literacy, low complexity of market operations, high transaction cost and insufficient financial infrastructure have limited wider participation, but the growth of stock market and needs of expanded investment opportunities is difficult to satisfy
Limited participation of retail investors in the stock market is an issue we are addressing in this research in the context of Indian stock exchanges. Although Fintech could answer some of these questions, its role enabling inclusion is still not well investigated. The study seeks to explore the democratizing of access to the markets through the innovation of Fintech.

How to cite this article:
Rathod, B. R., & Zagade, S. (2025). The Role of Fintech Innovations in Promoting Inclusive Participation in the Indian Stock Market. Insight Bulletin: A Multidisciplinary Interlink International Research Journal, 2(3), 49–51. https://doi.org/10.5281/zenodo.15422228

This study aims to explore not just their performance, but how they have contributed to empowering marginal investors, which in turn may lead to insights that would be useful in making the Indian stock market a more inclusive system that supports the growth of the economy sustainably and contributes to the well-being of the entire society.

Literature Review

What Is Financial Inclusion and Why Is It Important? : Financial inclusion which can be described as making financial services available and accessible for all sectors of a society is acknowledged broadly as an element that fuels economic development and and reduces poverty (World Bank, 2020). This points to its attraction as policy objective in India, with the Pradhan Mantri Jan Dhan Yojana (PMJDY) and expansion of banking services to rural areas as increasingly popular initiatives aimed at bringing the unbanked population into the formal financial system (RBI, 2021). Access to the stock market is still out of reach for large segments of the population, especially those in rural and low-income areas, despite these efforts. Raising the broad level of financial literacy means it is not just about banking but also access to wealth creation assets such as equities Kumar (2022); Chakraborty (2022). The stock market, as the backbone of the financial system, can play a significant role in this story by empowering retail investors to generate wealth and building their own financial futures.

Evolution of Fintech in India: Rapid advancement of technology with increasing internet penetration and supportive regulatory framework has fueled the Fintech revolution in India. Starting with the launch of the Unified Payments Interface (UPI) in 2016, the Indian economy experienced a revolution in payment and ease of use of digital transactions; this led to a proliferation of a culture of digital financial transactions (Das and Mishra 2022). Since this post, the Fintech landscape in India has exploded with new ideas ranging from mobile payments to digital lending to blockchain to robo-advisory services. The Fintech market in India is expected to grow at ~22% CAGR over the next five years due to growing demand for digital-oriented financial solutions (Kapoor, Agarwal, 2023). This growth is further compounded by the Digital India initiative of the Government of India and the regulatory sandbox for Fintech startups launched by the Reserve Bank of India (RBI).

Role of Fintech in Democratizing Stock Market Access: Through such fintech innovations, retailers were being empowered like never before and they have played a critical role in democratizing access to the Indian stock market. Mobile trading platforms like Zerodha, Groww, and Paytm Money have made the investment process easier, allowing users to open demat accounts, trade stocks, and get market insights with few clicks (Gupta & Sharma, 2021). They have greatly lowered transaction costs, eliminated the need for physical infrastructure, and offered user-friendly interfaces—all of which have democratised access and reduced barriers to entry. Furthermore, the emergence of robo-advisors and algorithm-based investment tools has simplified the process for novice investors to receive informed recommendations, thereby addressing the international loss of financial literacy among populations while also improving investment participation across demographics (Kumar & Singh, 2023). With micro-investing platforms, access has been further democratized by allowing individuals to enter the market with small amounts of capital, thereby making the stock market inclusively accessible for low-income groups (RBI 2022).

Challenges and Opportunities in Leveraging Fintech for Inclusivity: While this is promising, challenges remain in integrating Fintech into the Indian stock market to strengthen inclusivity. This is especially true of rural areas where a majority of people are unable to use digital platforms due to technological illiteracy (Mehta & Patel, 2022). Infrastructure gaps like poor internet connectivity and limited smartphones are additional challenges in this space. Furthermore, data privacy and cybersecurity concerns have cast doubt about the credibility of Fintech platforms, especially for new users (Narayanan & Rao, 2023). In response to these issues, regulatory agencies like SEBI have implemented certain measures like issuing guidelines for digital onboarding, and launching investor education initiatives (SEBI, 2023). Nonetheless, more intentional interventions are needed to guarantee that Fintech-enabled solutions serve the most underbanked communities.

However, on the flip side, Fintech has also opened up opportunities for greater inclusivity in the Indian stock market. Gamification of investment platforms can, for example, take place, to facilitate financial education in a fun and easy manner, especially for young investors (Kapoor & Agarwal, 2023). Das and Mishra (2022) observe that partnership collaborative agreements between Fintech companies and traditional financial institutions can close the gap between digital and physical financial services which will help even the nooks and corners of the society in making the Fintech innovations accessible, where digital literacy is a challenge. As a result, the application of AI and ML to Fintech platforms can yield personalized financial advice, thereby allowing the stock market to become more accessible to different investor profiles.

Methodology

This study adopts a **qualitative research design** to identify the role of Fintech innovations in encouraging the inclusive participation in Indian stock market. Secondary data collected from the existing literature, industry reports, scholarly academic journals, government publications, and leading online databases.

Findings and Discussion

Impact of Fintech Innovations on Retail Investor Participation: In India, fintech has transformed the retail investing space, with mobile trading apps, robo-advisors, and micro-investing platforms. The entrants in the app-based market such as Zerodha, Groww and Paytm Money have made it easy to access the market, brought down the transaction costs and allowed investments for very low capital. Based on Fintech adoption, it was noticed that the number of demat accounts grew from 36 million in 2019 to over 100 million in 2023 (NSE, 2022). While robo-advisors like Funds India and Cube Wealth offer an algorithm-driven, risk-based investment advice that assists the new investors to orient in the stock markets (Kapoor & Agarwal, 2023). Low-investment stock market participation is made possible through micro-investment platforms such as ET Money and Smallcase, wherein citizens can invest in diverse portfolios of stock that responds to real-time change more intelligently than government bonds, making them better investment opportunities for lower middle-class income brackets (RBI 2022).

Case Studies of Successful Fintech Initiatives

1. **Zerodha:** India's largest discount brokerage firm offers zero-commission trading and a user-friendly interface, attracting millions of new investors, particularly from smaller cities (Gupta & Sharma, 2021).
2. **Groww:** An investor-first platform with minimal onboarding, Groww is one of several fintechs which cater to young audiences for first time purchases (Das & Mishra, 2022).

3. **Paytm Money:** During stock markets that were traditionally focused on investments, Paytm Money was made possible by leveraging Paytm. This helped in the transition from savings to investments through Paytm's digital payments ecosystem, thus promoting stock market participation (Kumar & Singh, 2023).

Barriers to Inclusive Stock Market Participation

- **Digital Literacy:** Almost half of the potential customers (especially in rural areas) reportedly lack the skills to use digital platforms efficiently (Mehta & Patel, 2022)
- **Infrastructure Gaps:** In terms of limited smartphone penetration and unreliable internet connectivity, Fintech adoption is also limited in the semi-urban and rural areas (Narayanan & Rao, 2023).
- **Trust and Cybersecurity Concerns:** Data breaches and fraud risks deter investors from using digital platforms (SEBI, 2023).
- **Regulatory Challenges:** It creates confusion for Fintech companies as well as users (RBI, 2022) as there is no common regulatory framework.

Discussion and Conclusion: Fintech has made a huge difference in terms of attracting retail intersection, lowering barriers to entry, yet there are additional issues as well. Zerodha, Groww, and Paytm Money case studies tell us that the key drivers of inclusivity are affordability, financial education, and user-friendly technology. Yet, targeted interventions — be it digital literacy programs, hard infrastructure improvements, or strong cybersecurity measures — will be critical to ensuring a broad swath of people when the opportunities are available.

This will require cooperation between policy makers, Fintech firms and civil society. Removing barriers would allow Fintech to unleash the true potential of the Indian stock market and contribute to sustainable economic development.

Conclusion and Recommendations

The entry of fintech applications like mobile trading apps, robo-advisors, and micro-investing has broad-based retail investor participation in India as these developments made investing easier by providing lower entry barriers, especially in the case of underserved population. BSACF Initiative aims to address these challenges by equipping individuals, particularly those from disadvantaged backgrounds, with essential digital skills. Based on these issues, policies should highlight the following: improving digital literacy among citizens with national programmes, upgrading infrastructure to provide better internet connectivity and cheap smartphones, fortifying cybersecurity and improved protection of data with stringent laws, and a uniform regulatory framework for consumer protection. Future studies should evaluate the long-term implications of Fintech on investor behavior, the success of digital literacy programs, and the potential of innovative technologies such as blockchain and AI to promote inclusiveness.

Acknowledgment

I, Bhushan Revasing Rathod, express my sincere gratitude to Prof. Dr. S. D. Zagade (Retired), Head, Department of Commerce, and Dr. Kishor S. Desarda, Principal, MES Garware College of Commerce (Autonomous), for granting permission to carry out this work.

Financial support and sponsorship

Nil.

Conflicts of interest

There are no conflicts of interest.

References (APA Style)

1. Chakraborty, S., & Kumar, R. (2022). *Financial inclusion in India: Challenges and opportunities.* Journal of Economic Studies, 49(2), 210-225.
2. Das, S., & Mishra, P. (2022). *Fintech in India: A comprehensive review of trends and challenges.* Journal of Financial Innovation, 15(3), 45-60.
3. Gupta, R., & Sharma, A. (2021). *Mobile trading apps and financial inclusion: Evidence from India.* International Journal of Finance and Economics, 26(2), 123-140.
4. Kapoor, S., & Agarwal, V. (2023). *The role of robo-advisors in democratizing investment: A case study of India.* Journal of Financial Technology, 18(1), 78-95.
5. Kumar, R., & Singh, P. (2023). *Gender and age diversity in the Indian stock market: The impact of Fintech innovations.* Journal of Inclusive Finance, 12(4), 210-225.
6. Mehta, S., & Patel, N. (2022). *Digital literacy and financial inclusion in rural India: Challenges and opportunities.* Rural Development Journal, 14(2), 89-104.
7. Narayanan, S., & Rao, K. (2023). *Cybersecurity risks in Fintech: Implications for India.* Journal of Cybersecurity and Privacy, 7(3), 156-170.
8. Reserve Bank of India (RBI). (2021). *Annual report on financial inclusion.* Retrieved from https://www.rbi.org.in
9. Reserve Bank of India (RBI). (2022). *Micro-investing platforms and financial inclusion.* Retrieved from https://www.rbi.org.in
10. Securities and Exchange Board of India (SEBI). (2021). *Annual report on the Indian securities market.* Retrieved from https://www.sebi.gov.in
11. Securities and Exchange Board of India (SEBI). (2023). *Guidelines for digital onboarding and investor education.* Retrieved from https://www.sebi.gov.in
12. World Bank. (2020). *Global financial inclusion report.* Retrieved from https://www.worldbank.org
13. National Stock Exchange (NSE). (2022). *Annual report on retail investor participation.* Retrieved from https://www.nseindia.com