



Reimagining financial distribution: Scale, trust, and sustainability

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Foreword



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India's financial distribution ecosystem stands at an inflection point. Our market infrastructure, regulatory architecture and products range are highly sophisticated. The priority now is to expand distribution that is deep enough to reach the underserved, trusted enough to guide long-term behaviour, and sophisticated enough to channel India's savings into India's growth story.

The SIP movement is perhaps the most underrated financial revolution of our times. Monthly flows crossing ₹30,000 crore is not a statistic, it is a statement of intent by millions of ordinary Indians choosing discipline over speculation. And yet, with barely six crore unique mutual fund investors in a country of 140 crore, we are still in the early chapters of this story. The headroom is not incremental—it is generational.

Trust, however, remains the true currency of this business. Regulation can mandate disclosure, technology can enable access, but trust is built one conversation at a time by an advisor who calls back when markets turn volatile, who stays the course when the investor wants to flee, who puts the client's retirement before this quarter's target. No algorithm has yet replicated that.

India's digital infrastructure has fundamentally transformed access to financial services. Yet, expanding access alone is not enough. In a market as diverse and nuanced as India, meaningful participation will depend on trust, guidance and informed decision-making across investor segments, in ways that technology alone cannot replicate. The future belongs to models that combine the efficiency and scale of technology with the trust and empathy that human engagement brings.

This calls for a collective reimagining of the distribution ecosystem, one that aligns incentives across stakeholders, strengthens investor outcomes, and builds resilience through trust and transparency. It calls for deeper collaboration between regulators, distributors and technology platforms to create an enabling framework. Taken together, this will not just be an industry transformation but will determine how India funds its own future and strengthens long-term capital formation.

Platforms such as the FICCI Financial Products Distribution Summit play an important role in catalysing this dialogue by bringing together diverse perspectives from across the ecosystem. As industry participants, there is a shared responsibility to ensure that the next phase of growth is not only broader but also more meaningful and sustainable.

We are pleased to present this publication on India's financial distribution ecosystem and the imperatives shaping its next phase of growth. The paper underscores the centrality of distribution in broadening market access and deepening participation, while analysing the changing dynamics of intermediation, including evolving channels and business models and highlights the shift toward advice-led, outcome-oriented approaches alongside the growing role of platform-driven ecosystems in reshaping investor engagement. These themes culminate in a forward-looking blueprint outlining key structural, market and regulatory priorities for building a more resilient, efficient and credible ecosystem. We hope you find this publication insightful.

Foreword



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India's financial sector has seen tremendous progress over the last decade. Millions of individuals have entered the formal financial system for the first time, digital adoption has accelerated rapidly, and participation in financial markets has expanded well beyond metropolitan centres. Together, these developments have created a strong foundation for the next phase of growth. These are not just incremental gains but represent a structural transformation of how Indian households relate to the formal financial system.

As the ecosystem evolves, the conversation also shifts from access to the quality of participation and long-term financial outcomes. Though investors today have greater choice and easier access to financial products than ever before, they also face increasing complexity in navigating those choices. Scale alone does not complete the growth story as the challenge has shifted from opening doors to ensuring that people walk through them meaningfully. This makes the role of financial distribution, advice, and investor engagement more important than ever.

The networks that will define the next era of Indian financial system will be those that combine digital scale with human trust, move from product placement to goal-based advice, and embed suitability and transparency into every customer interaction. Distribution must evolve from a sales engine into a trust engine; one where activation, retention, and long-term outcomes matter as much as acquisition. The opportunity ahead is substantial; however, capturing this would require deliberate choices by regulators, industry participants, and distributors as they focus on how incentives are structured, advice is delivered, and trust is built and preserved at scale.

This paper explores the evolving landscape of financial distribution in India, the changing economics of the sector, and the opportunities that are emerging across the ecosystem. We hope that the report contributes to a broader discussion on building a more inclusive, trusted, and outcome-oriented financial system for the future.

Foreword



Chirag Vasa
Partner
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From access to outcomes: The next chapter for India's financial distribution

India's financial ecosystem is undergoing a structural shift from expanding access to delivering outcomes. The first phase of financial inclusion was defined by scale by bringing hundreds of millions of people into the formal financial system. The next phase will be defined by whether that participation is translated into sustained, long-term wealth creation for households. The scale which has been achieved so far is undeniable. With hundreds of millions of accounts, explosive growth in digital transactions, and rising retail participation reflects a system which has expanded access at an unprecedented speed. Participation is no longer driven by urban people, as more than half of new SIP registrations now come from beyond the top 30 cities.¹ However, this growth has exposed a deeper disconnect. Access has outpaced outcomes as participation remains uneven, often shallow and sporadic. The investor behaviour continues to be pro-cyclical, portfolios remain fragmented, and long-term wealth creation is still concentrated within a narrow segment. While awareness has improved over the years, sustained engagement and disciplined decision making remain uneven. This is not a gap that more access or more products can solve, it is fundamentally a distribution challenge.

Distribution is no longer a passive channel but has become the control layer of the financial system. It shapes choices, influences behaviour across cycles, and determines persistence. While the ecosystem has expanded across banks, advisers, distributors, FinTechs and digital platforms, its underlying incentives, despite progressing on trail-based models, remains skewed driving towards transactions over outcomes. Meanwhile the demand is becoming more complex where the wealth at the top is deepening and diversifying, the mass affluent segment is expanding rapidly, and first time investors are entering markets earlier with greater access but limited guidance. Also, product innovation is accelerating faster than most households can navigate independently.

Consequently, the centre of value creation is migrating. The value which once was embedded in execution and production is now eroding as both have become commoditised. The locus of advantage is shifting towards those who can influence behaviour, deliver advice, and build trust at scale as distribution is no longer just a growth engine; it is the industry's strategic control point. The profit pools within financial services are being redefined, with disproportionate value migrating toward capital markets, wealth management, and FinTech led distribution models. Private equity and strategic investors are concentrating capital in these segments, where scalability, operating leverage, and proximity to the end investor drives a superior return. In contrast, the models anchored purely in product manufacturing or transaction led distribution are facing growing pressure on margins and differentiation. This raises a fundamental question: can the system move from enabling access to ensuring outcomes? Can it balance scale with suitability, and technology with trust?

The answer will shape not just industry structure, but the quality of financial participation in India.

This paper examines how financial distribution is evolving, how its economics are changing, where the value will accrue, and what it will take to align incentives with long term investor outcomes. It offers a perspective on where the system is headed and why distribution will be the decisive lever. To take advantage of this opportunity, the sector will need to rethink how distribution is set up and managed. This means re-examining incentives, how advice is structured and its accountability, moving away from focusing on broad access and scale towards encouraging meaningful, outcome-focused participation.

1 Public sources

Executive summary

Distribution has emerged as the control layer of the India's financial system by shaping how investors think, what choices they make and ultimately what outcomes they walk away with. As access and execution has now become increasingly standardised, outcomes are no longer constrained by the availability of the product but by the quality of distribution.

The persistent gap between participation and outcomes is not people's lack of access to the right products or platforms that exist but rather an intermediation problem. While access has been scaled, engagement has remained episodic, portfolios have fragmented, and investor behaviour has been inconsistent across market cycles which are consequences of how financial decisions are being guided over time and not whether the products exist.

This gap has been reinforced by the underlying economics of distribution. Incentive structures, cost to serve dynamics, and lifetime value considerations have shaped how the investors are engaged, how advice is being delivered, and whether responsibility for outcomes is owned or diffused. Where incentive structures, despite progress through trail-based models, continue to reward onboarding and transaction volumes over investor persistence, participation can scale without a corresponding improvement in outcomes.

As a result, though decision making is increasingly concentrated at the investor side, responsibility is scattered across too many hands for anyone to truly own it. Without an alignment between behaviour, economics, and accountability, the system will continue to produce uneven outcomes despite the rise in participation.

The next chapter of India's financial growth will be defined by distribution models that brings access, guidance, and accountability together under one roof. The ability to get that combination right, while protecting the investor along the way, is what determines whether this new participation translates into sustained wealth creation.

This paper examines how integration has already commenced as indicated by the developments that are visible across the ecosystem and what these shifts mean to institutions, intermediaries, and policymakers over the next decade.

Key takeaways of the paper are:



Distribution is where financial outcomes are ultimately shaped—not products, not platforms.



The gap between who's participating and who's benefiting is a guidance problem, not an access problem.



The moment of decision sits with the distributor but responsibility for what happens next belongs to no one in particular.



The distribution models that would have an advantage in the next decade will be the ones that treat access, guidance, and accountability as a single job.

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01

A turning point in India's financial products distribution landscape

From access to outcomes: Why distribution has become the control layer of financial system

India's financial services sector has undergone rapid transformation over the past two decades, driven by conscious policy initiatives by the Government of India, proactive regulatory reforms, and breakthroughs in the technology landscape. Landmark interventions from Jan Dhan Yojana (579+ million new accounts as of March 2026,¹ Unified Payments Interface (UPI) (22.64 billion transactions worth ₹29.53 trillion in March 2026)² alone and Aadhaar-enabled e-Know Your Customer (e-KYC) stack have significantly reduced barriers to entry and expanded participation across Tier 2+ regions. Mutual fund folios have crossed 250 million,³ demat accounts nearly quadrupled between 2021 and 2026,⁴ and complex financial products such as portfolio management services (PMS) alternative investment funds (AIF), and specialised investment funds (SIFs) have accelerated. Regulatory initiatives such as liberalised licensing, digital-first frameworks, and expansion of the permissible product universe have shifted the ecosystem from predominantly branch-led, paper-intensive banking to an omnichannel, data-driven financial marketplace.

India's financial system appears by most metrics to have addressed the access dimension of inclusion problem. Accounts are widespread, onboarding is faster, and financial products are more accessible than ever. However, the next phase of financial deepening will depend on addressing a more complex issue: adoption and active usage. A large share of accounts remains inactive, participation is often episodic for a significant share of investors, and long-term wealth creation remains uneven. Households have increasing awareness and access to the financial system; however, this doesn't necessarily convert into active participation. Mutual funds and equities still account for only ~15% of household assets.⁵ Most demat accounts remain inactive, and only a small share of assets is held beyond five years, despite widespread awareness and access.

Although India has built the access route for financial services however, the challenge lies in achieving sustained, outcome-oriented participation. The conversion from access to participation will not be determined by products and infrastructure alone, but by distribution, which will bring investors, shareholders, and advisors together. The focus of the industry should also be on building consumer trust, which is the bedrock for any financial transaction. In this environment, distribution is no longer a mere route to market; it is the financial control layer.

1 Press Information Bureau - Press release

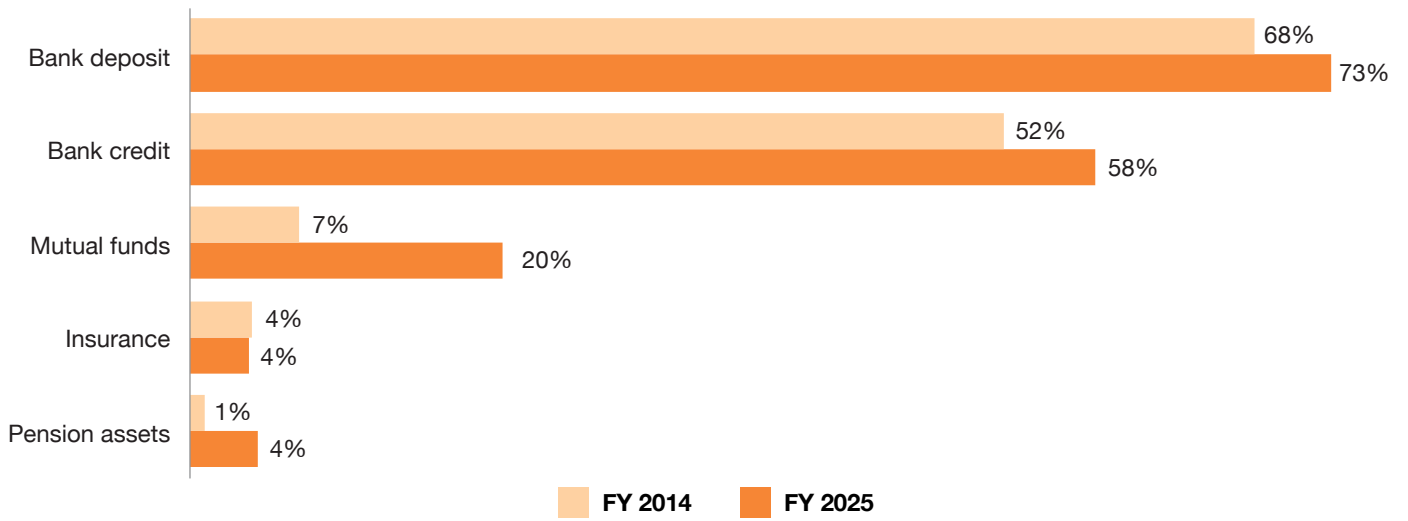
2 Press Information Bureau - Press release

3 Public sources

4 SEBI - Progress Report of NSDL and CDSL as on end of month

5 RBI handbook household saving data 2025

Figure 1: Financial penetration as a % of GDP in India



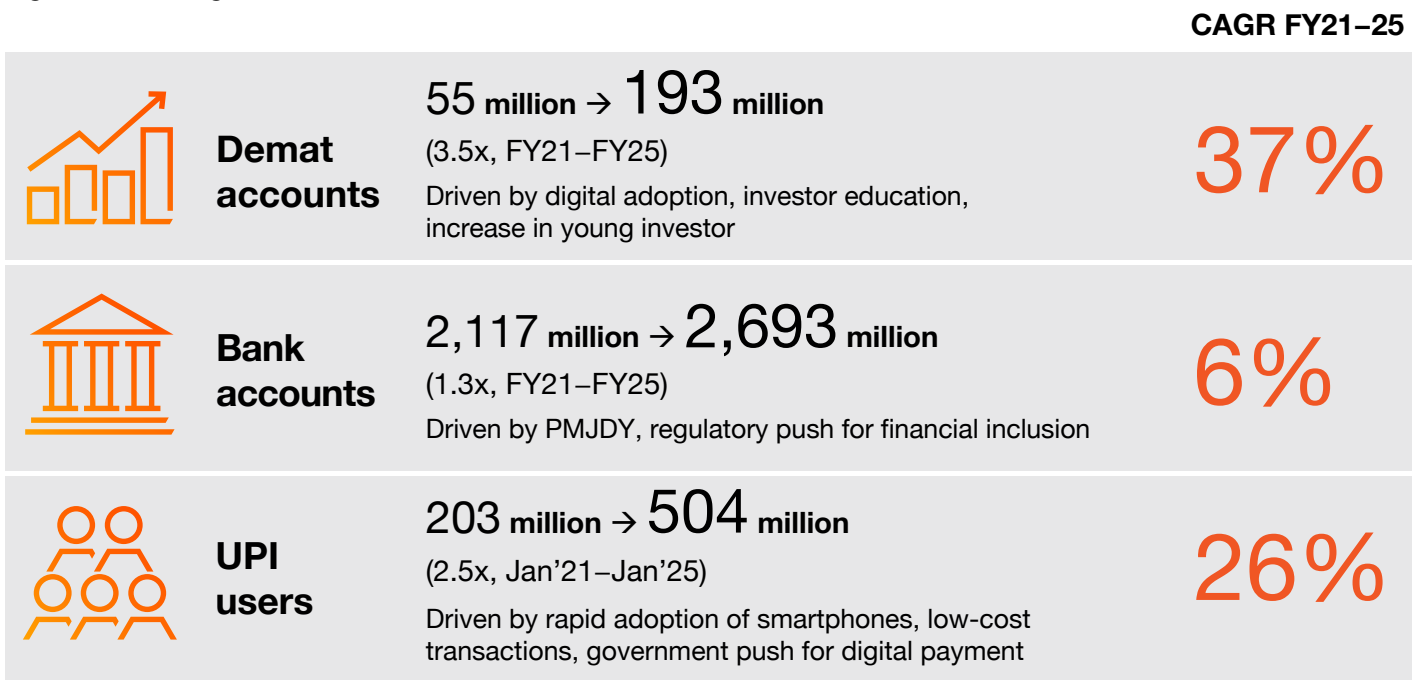
Source: RBI, IRDAI Annual report, SEBI, NPS report, PwC analysis



1.1 The inclusion paradox: Access without outcomes

At a preliminary glance, India’s account penetration appears healthy. Adult account ownership is near universal, helped by Jan Dhan and formalisation. UPI handles billions of transactions monthly. Demat penetration has moved from about 4% to 13% of adults in the last five years.⁶ The Reserve Bank of India’s (RBI’s) Financial Inclusion Index rose to 67% in 2025, a 24% jump since 2021.⁷ The World Bank’s Global Findex 2025 revealed that 89% of adults in India owned an account at a financial institution or a mobile money provider, up from 35% in 2011. This marked a significant milestone in financial inclusion, with nearly nine of 10 adults owning an account.⁸ The investment ecosystem has broadened, and insurance and formal credit have benefitted from digitisation and platform-led distribution. Together, these shifts point to a stronger foundation for financial inclusion and wider capital participation.

Figure 2: Growing access reflected across asset classes



Source: SEBI - Progress Report of NSDL and CDSL as on end of Month, RBI - Database on Indian Economy, UPI-The Global Benchmark for Digital Payments report and PwC analysis

Yet market-linked products continue to penetrate a relatively small share of households, and long-term investing remains concentrated among a minority of investors. Behavioural depth varies widely across cohorts, with only ~16% of mutual fund industry’s assets under management (AUM) being held for more than five years.⁹ A more accurate picture of the present system can be illustrated through following characteristics:



⁶ SEBI - Progress Report of NSDL and CDSL as on end of Month

⁷ Press Information Bureau - Press release and PwC analysis

⁸ Inclusive Finance India Report 2025

⁹ Public sources and PwC analysis

Access does not guarantee adoption

A large base of accounts, users, and folios can often hide the underlying challenge of customer activation as illustrated in **Figure 3**:

Figure 3: Customer adoption and financial products' adoption

16%

of bank accounts have been inactive for more than year as of 2024.

Inactive bank accounts are well above the global average of 6%. This is a key challenge as new accounts have expanded access but not necessarily regular financial engagement.

67%

of 220 million demat accounts remain inactive (as of January 2026).

Increased retail participation in equity markets, folio growth, and SIP registration are strong indicators of intent; however, persistence is the true measure of adoption.

63%

of households are aware of at least one securities product (representing 213 million Indian households) (as of March 2025)

As per the Securities Exchange Board of India's (SEBI's) Investor Survey Report 2025, MF/ETF (53%) and equities (49%) have the highest awareness. Urban households reported 74% awareness, whereas rural households reported 56%.

9.5%

of households are invested in securities markets vs. 63% households reflecting awareness. (as of March 2025)

As per SEBI's Investor survey report 2025, urban households show 15% penetration—more than double of rural households' (6%). Penetration varies significantly across states.

~25%

of Indian population form active UPI base. (as of FY25)

UPI transaction concentration remains high in terms of both user cohorts and use cases. Active usage varies by geography, customer segment, income stability, and digital comfort.

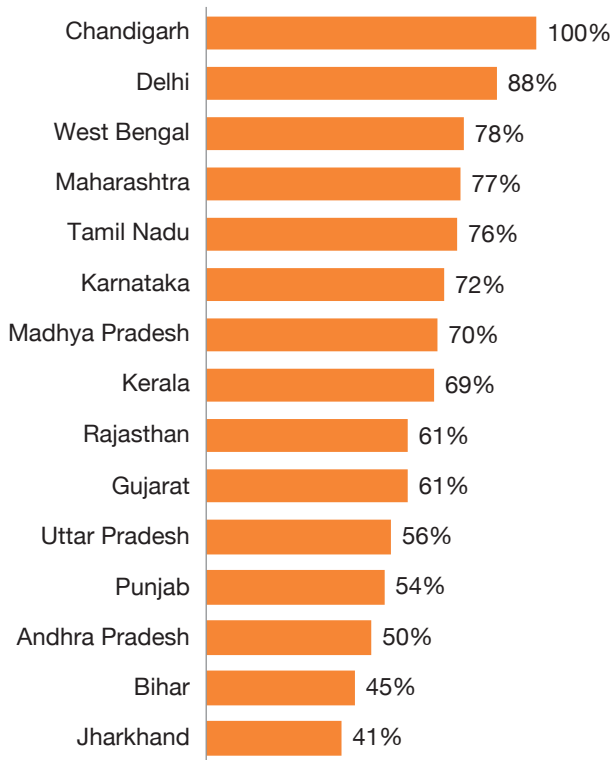
This gap is structural, not incidental. Households can easily access the financial system; however, distribution channels do not yet reliably enable them to:

- Make informed decisions
- Build coherent portfolios across products and life stages
- Stay invested through market cycles
- Achieve long-term financial goals.

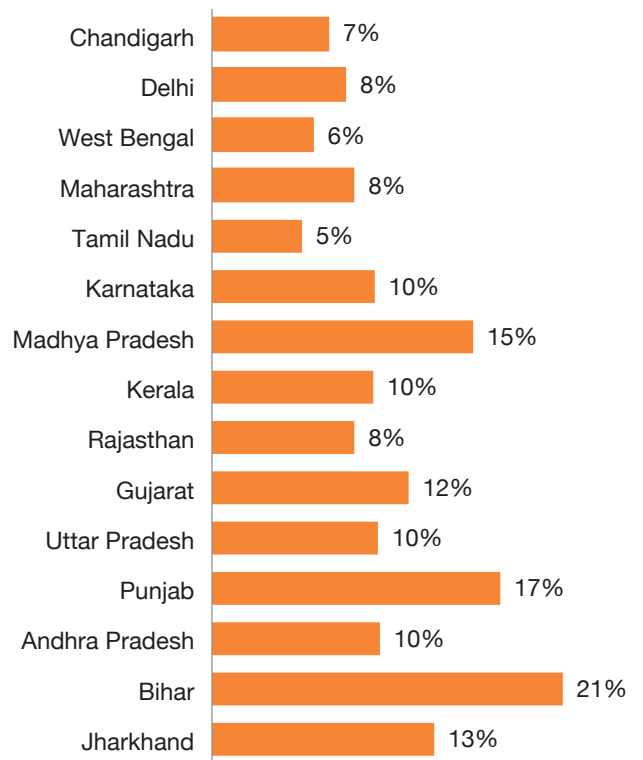
SEBI’s Investor Survey 2025, covering 91,950 households, underlines this gap. Out of 337.2 million households, only 9.5% are investors (~32.1 million).¹⁰ Another 53.5% are aware of securities products; but do not invest. Another 37% are unaware. Income, education, and urban residence have emerged as key determinants of securities market participation.¹¹

Figure 4: Stark difference between securities market products’ household awareness and penetration in India

State-wise household awareness of securities market



State-wise household penetration of securities market



Source: SEBI Investor Survey 2025, % are based on survey undertaken of 91,950 households across all the States and Union Territories, excluding Lakshadweep and Manipur.

Though India has achieved financial inclusion at the level of access, it hasn’t yet achieved inclusion at the level of outcomes.

¹⁰ SEBI Investor Survey 2025, % are based on survey undertaken of 91,950 households across all the States and Union Territories, excluding Lakshadweep and Manipur

¹¹ Ibid

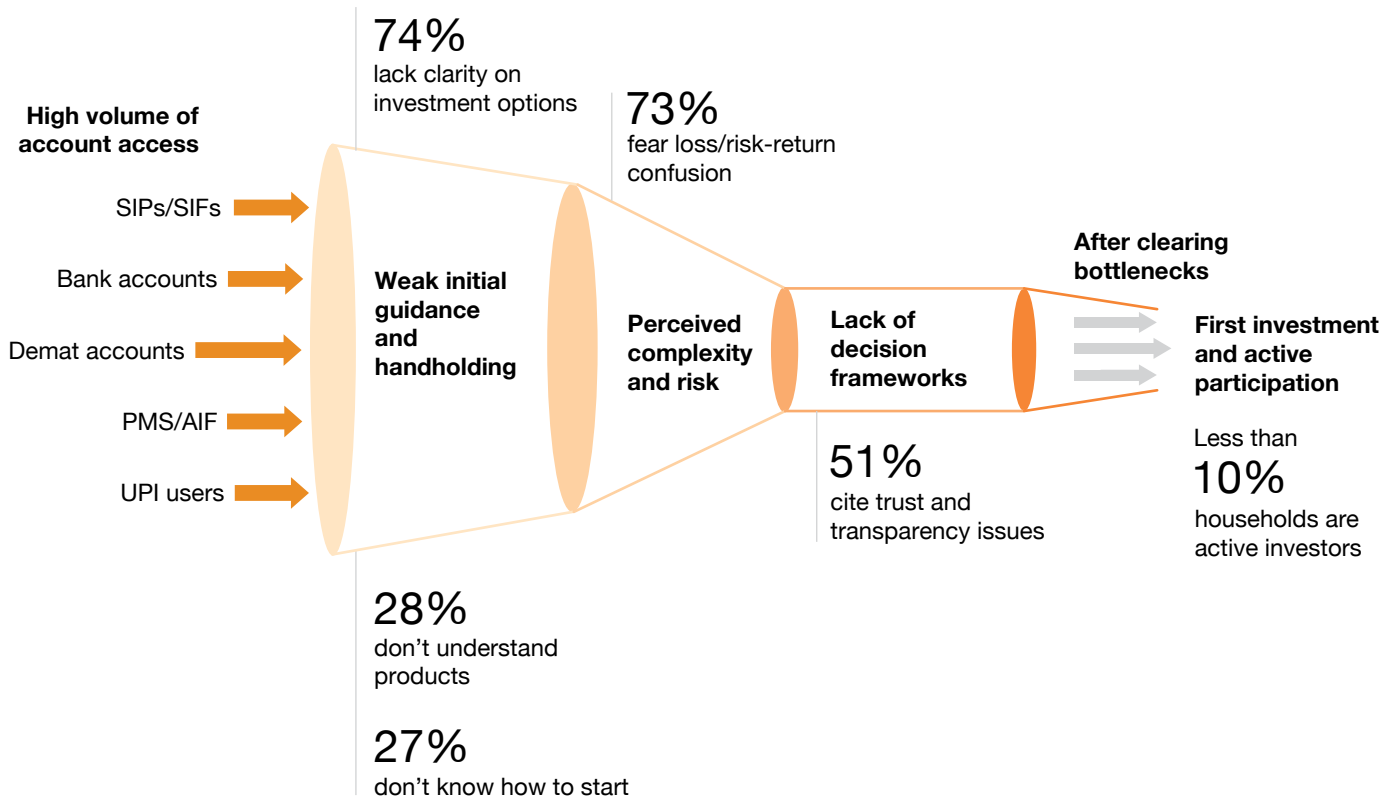
This gap in financial distribution manifests across three dimensions:

a) Activation gap: Access without conversion

The first constraint in financial deepening is **activation** or moving a household from awareness to meaningful utility. SEBI's survey revealed that ~63% of households are aware of at least one securities market product; however, less than 10% have invested. A large cohort of 'intenders' has emerged who know about securities products, express clear intent to invest within the next 12 months, but do not take action. Demat accounts grew nearly 4x in five years,¹² however, most remained inactive or noted very low usage. Product adoption beyond basic deposits and small savings remains limited for a large share of households.

This constraint is not infrastructure-based, it reflects the absence of **trusted and simple activation pathways**, as illustrated in Figure 5.

Figure 5: Key bottlenecks in user activation



Source: SEBI Investor Survey 2025, % are based on survey undertaken of 91,950 households across all the states and union territories, excluding Lakshadweep and Manipur

12 SEBI - Progress Report of NSDL and CDSL as on end of Month and PwC analysis

b) Behaviour gap: Participation without outcomes

Activation alone will not solve the problem of financial deepening. Sustainable product adoption relies on active **investor behaviour**. Even among active participants, outcomes remain inconsistent because behaviours are often reactive rather than disciplined, short term rather than goal oriented, and fragmented rather than structured. This shows up in short effective holding periods across segments where investors frequently switch or exit based on recent performance; cyclicity of inflows and outflows, with procyclical buying at peaks and selling in corrections; and high concentration and trading intensity in select segments, especially among younger cohorts in direct equity and derivatives.

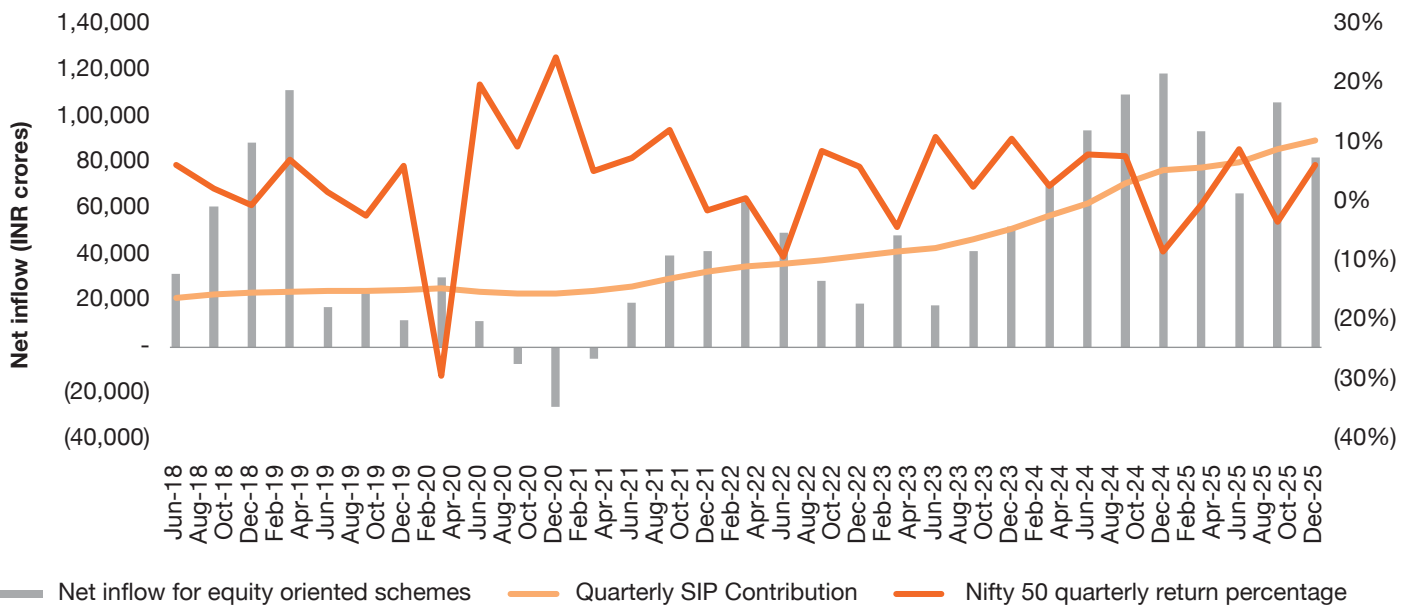
In contrast, more structured pathways (for example, systematic investing) show very different behaviours:

- The share of the AUM fund held for more than five years more than doubled from March 2020 to March 2024 from 6.3% to 15.7% which is a welcome improvement.¹³ However, it involved a minority of assets.
- Among SIP investors, 23% of assets are now held for more than five years in regular plans, compared with just 12% in direct plans as of March 2024.¹⁴

The implication is clear: financial market outcomes are driven less by product selection and more by temporal behaviour. The same products produce different outcomes depending on whether behaviour is structured or reactive.

India is scaling participation faster than it is scaling investor behaviour. Participation, in isolation, does not create value but behaviourally guided participation does.

Figure 6: Mutual fund flows and market swings: Evidence of pro-cyclicality



Source: Public sources; NSE data and PwC analysis.

Note: - Nifty 50 quarterly return is computed as movement of the index of the previous quarter

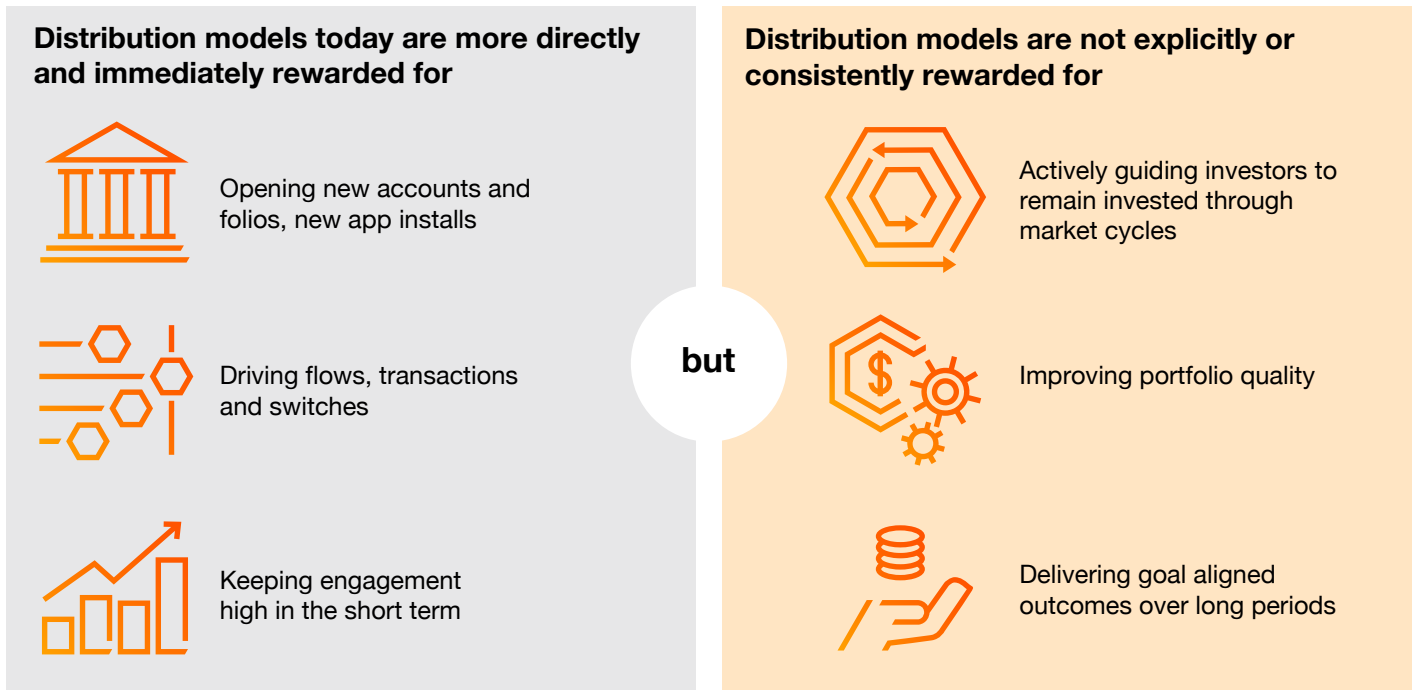
13 Public sources

14 Ibid

c) The incentive gap: When the system rewards activity instead of outcomes

Activation and behaviour gaps mirror how the system is currently wired.

The current system, despite the shift to trail based remuneration, more reliably monetises activity and asset retention than the quality of long term investor outcomes.



The underlying economics explain why:

- Customer acquisition costs in digital and physical channels rise as competition intensifies.
- Lifetime value is uncertain and back ended, and in many models, not measured rigorously.
- Execution (payments, brokerage, and basic transactions) is commoditised with low margin.

Advisory services continue to be funded through margins earned on monetised and cross subsidised products.

Channel shares in mutual funds can be illustrated by this logic. Distributor-led channels (e.g. banks, national and regional distributors, and mutual fund distributors (MFDs)) account for only 53% of individual MF AUM, whereas direct accounts have 47% of total AUM.¹⁵ On the equity side, ~64% of retail National Stock Exchange (NSE) investors trade through new age digital platforms,¹⁶ where most revenue is tied to volume and engagement—not to long term outcomes.

Given these incentive structures, activity prioritisation is valued over persistence. Hence, the current system bases its activities on what they are paid to do rather than doing what the investors need the most.

Though India's financial system rewards distributors for increasing participation in capital markets, it is not yet optimised for effective activation.

¹⁵ Public sources and PwC analysis

¹⁶ NSE data and PwC analysis

1.2 Distribution as the control layer

On examining the current financial distribution model, the following key observations emerged:

- Financial services are widely accessible, with a range of intermediaries serving diverse customer segments
- The market offers a wide range of financial products, catering to various sector needs
- Both market and digital infrastructure are robust, supporting a complex ecosystem that accommodates traditional banks, FinTech platforms, and direct plans.

These advantages can be leveraged if organisations understand how financial decisions are made by learning who households listen to, what they see first, how trade-offs are presented, and how they are guided when the markets react.

Distribution determines:

- Who enters the financial system and when
- What they select (product type, risk level, and vehicle)
- How they behave (trading, investing, and persisting)
- If they continue through market cycles and life changes
- Long-term outcomes.

Therefore, the role of distribution in financial services needs to extend beyond delivery methods to becoming the system-level control layer.

1.3 Strategic shift from access to outcomes

As the financial product distribution system matures, the focus shifts from access to outcomes. The first decade of the evolution of the system emphasised reach: more accounts, more folios, more demat holders, and more systematic investment plans (SIPs). The next decade will be judged on the quality of persistence, goal completion, and realised returns relative to risk.

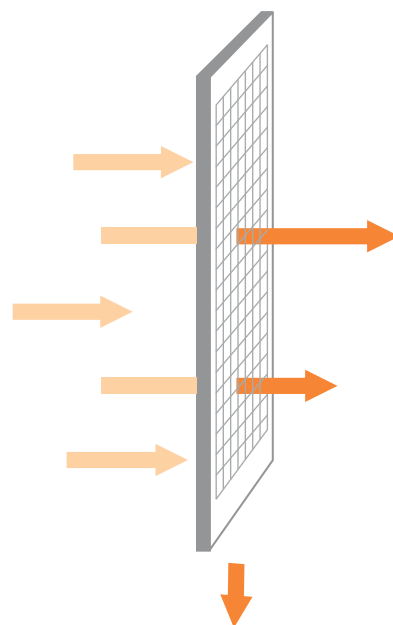
Figure 7: Transition from access-led to outcome-led distribution model

Access-led financial distribution

Financial inclusion push with more accounts, more folios, more users, more SIPs, etc.

Product innovation with wide variety of newly introduced complex products.

No continued advice-led relationship with consumer.



Outcome-led financial distribution

Focus on advisory-led distribution and continued relationship with consumer.

Aims to increase persistence.

Promote goal-led investments.

The intent is to achieve realised returns which are aligned with customer risk profile.

Distribution networks need to operate on these layers for this transition.



Access
Low-friction onboarding and product availability



Guidance
Frameworks, nudges, and advice that simplify decisions



Accountability
Economics and accountability aligned to long-term results

Firms that combine access, guidance, and accountability across human and digital channels will set the tone for the next decade.



The industry does not have a product problem. It has a distribution problem, more specifically, a quality of advice problem.

As markets have opened up public, alternates, and international investments, clients have more access than ever. But access without advice is just noise. The real job now is helping clients allocate well, behave sensibly through volatility, and stay anchored to outcomes. That requires distribution which starts with the client's goals and works backwards, and is built on an investment policy statement (IPS), a clear fee structure, and no hidden conflicts. Technology and platforms will matter enormously as we scale, but their real value is in embedding suitability and discipline into every client interaction.

The decade ahead will sort this industry clearly. The winners won't choose between products and advice as they'll need both. The edge will belong to those who've built something clients genuinely trust: advice-led businesses with the breadth of product and the integrity of counsel, delivered at scale.”

– Yatin Shah
CEO, 360 ONE Wealth



From access to outcomes: Why distribution has become the control layer of India's financial system

The inclusion funnel where access is strong but outcomes are still maturing

High access



~89% households have a bank account/access point.



Over 500 million active users and, ~20+ billion transactions per month.



~19 crore demat accounts as of FY25

Moderate participation



~Only 9.5% of households invest in securities.



Market-linked products (MFs, equities, bonds) reach a minority of households.

Uneven outcomes



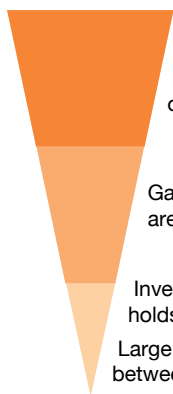
Small share of assets held beyond five years.



Retail equity MF holdings upto 4x since 2020, but confined to a narrow investor base.

The three gaps in Indian financial system

01 Activation gap— access without conversion



Awareness: 63% of households know at least one securities product

Gap: 53.5% of households are aware but not invested

Investors: 9.5% of households actually invest

Large intender cohort stuck between knowing and doing

From awareness to action
 → Open the door, simplify the first step

02 Behaviour gap— participation without outcomes

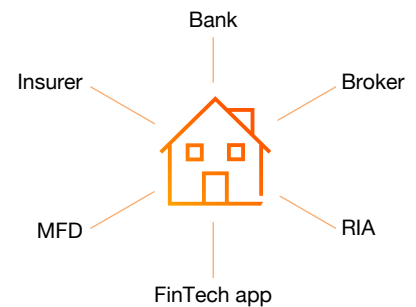
Same products may also provide very different outcomes depending on behaviour



MF AUM > 5Y	SIP regular > 5Y	SIP direct > 5Y	Reactive behaviour shows lower persistence
15.7%	23%	12%	

From trading to staying the course
 → Good behaviour creates better outcomes

03 Incentive and architecture gap— activity over outcomes



Multiple channels touch the same household but there is no single owner of outcomes

Digital and payments rails amplify the activity signals.

Revenues tied to account opening, flows and transactions

From touchpoints to accountable journeys
 → Connect around the household

Awareness	Trust	First action	Simple onboarding	Structured	Long-run	Disciplined	Goal-based	Ecosystem alignment	Integration	Positive opportunity
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Distribution as the control layer

It determines who enters, how choices are framed, how behaviour is nudged through cycles, and how households stay invested long enough to achieve goals.

Digital-first interfaces + human advice now determine investor pathways.

Future stack: Access → Guidance → Outcomes

Access:
 Near-universal accounts, UPI, demat as baseline

Guidance:
 Decision frameworks, nudges, and advices at the point of action.

Outcomes:
 More investor households, longer holding periods, goal completion and risk-aligned returns.

Where is value moving

- From products to **relationships and trust**.
- From transactions to **advice and behaviour management**.
- From **access metrics** to **outcome metrics** (persistence, goals met).



India's financial services industry is at an interesting crossroad. Until recently, investors had access to limited offerings which were further offset by factors such as income, geography and financial literacy. Now, there are no constraints of product availability. However, constraints have evolved to factors like the quality, reach and trustworthiness of distribution.

The next phase of growth will come from moving beyond the existing product-push models. In the near future, advice-led, suitability-driven and outcome-oriented distribution will become prevalent, where technology enables scale but trust remains the core currency.”

– **Rahul Jain**
President and Head, Nuvama Wealth



02

Capital markets and wealth distribution: The shift to advisory-led distribution

Imperatives for India's capital markets

India's wealth landscape has undergone a marked transformation due to the convergence of sustained economic growth, rising formal incomes, deep digital penetration, and a new generation of investors entering markets earlier in life. What has changed most in modern capital markets is not access to products but households' expectations. Households today value sound advice, trust-led relationships, informed risk decisions, and a sense of clarity over product innovation. Investors are asking more relevant and consequential questions.

Over the next decade, institutions that can translate access into outcomes are likely to have an advantage among their peers. Distribution scale, product breadth, and digital interfaces will still matter but only if they help investors make better decisions and avoid mistakes.

Figure 8: Questions about investment lifecycle from the investor's perspective



(Representational image)



Can I adequately fund my child's education?

Will I be able to retire comfortably?

Should I stay invested or liquidate my savings in times of geopolitical conflict?

Am I taking the right level of risk?

2.1 A new wealth reality: Expansion at the top, activation in the middle

Over the last decade, steady growth, formalisation of income, and the expansion of digital financial infrastructure have fundamentally changed how households think about money. Income is more visible, savings are more trackable, and investing is no longer limited to a narrow urban base. As a result, household participation in financial markets is steadily becoming habitual.

This shift is most visible in the emergence of the mass-affluent segment—salaried professionals, small business owners, and first-generation investors who, individually, do not hold large pools of capital; but collectively, are becoming a key source of consistent flows into financial assets.

India's macroeconomic trajectory has reinforced this trend. India has emerged as one of the fastest-growing economies globally, with a compound annual growth rate (CAGR) of ~7% over the last decade,¹⁷ and is expected to become the third-largest economy by 2030.¹⁸ It currently ranks third globally in the number of billionaires, third in unicorn count driven by strong private market funding, and fourth in initial public offering (IPO) activity, reflecting not just the scale of wealth creation at the top, but the depth of economic dynamism across the country.

Wealth creation has been both rapid and, until recently, concentrated. A disproportionate share of financial assets continues to sit with the highest-income households. Yet the more consequential shift is happening in the middle: a growing cohort of affluent and emerging-affluent households is becoming financially active for the first time, steadily broadening the base of market participation.

This has two distinct implications for the financial advisory landscape:

- At the top of the pyramid, investors require institutional-grade portfolio construction, diversification, and risk management
- In the emerging affluent and mass-affluent segments, scalable, disciplined financial planning and long-term wealth creation frameworks are needed - often for clients with limited prior investing experience.

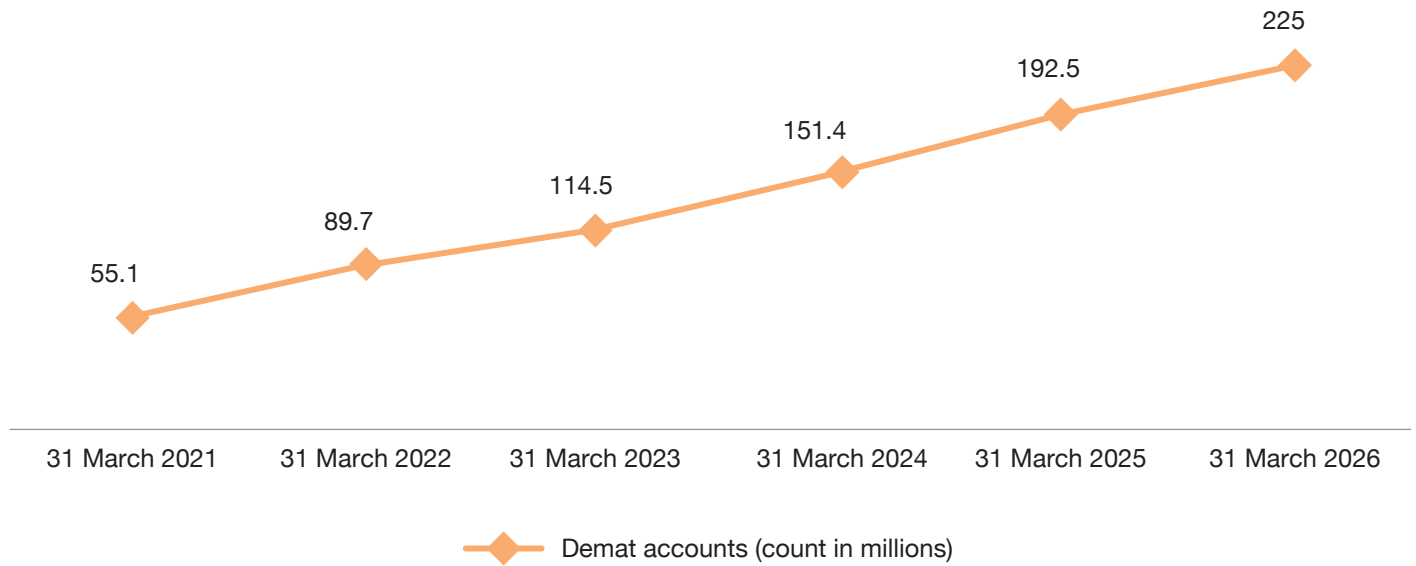
Wealth remains concentrated, but participation is rapidly broadening. The centre of gravity in Indian wealth management is shifting—and with it, the demands placed on advisors, platforms, and products.



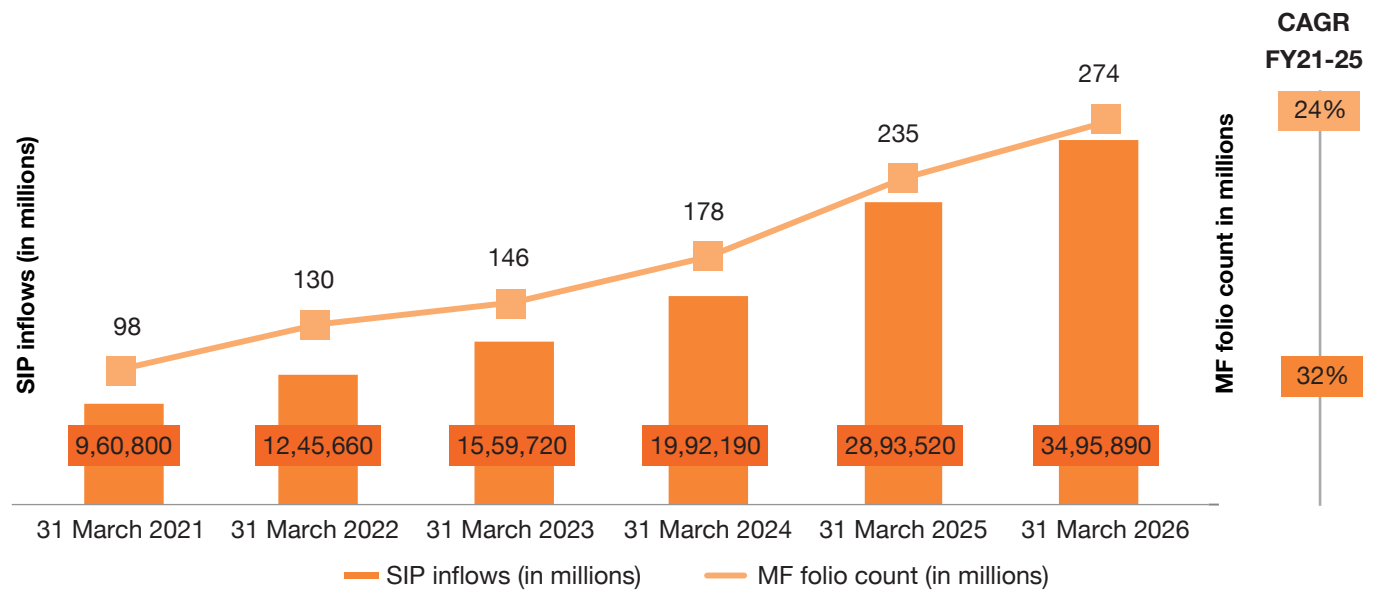
17 IMF data and PwC analysis

18 Press Information Bureau - Press release and PwC analysis

Figure 9: 4x growth in the number of dematerialised accounts since FY21 and simultaneously growth in SIP inflows and mutual fund folio count



Source: SEBI - Progress Report of NSDL and CDSL as on end of Month



Source: Public sources and PwC analysis

Growth of dematerialised accounts is driven by the increase in the households' experiment with equities via discount brokers.

2.2 Household balance sheets: From physical comfort to financial ambition

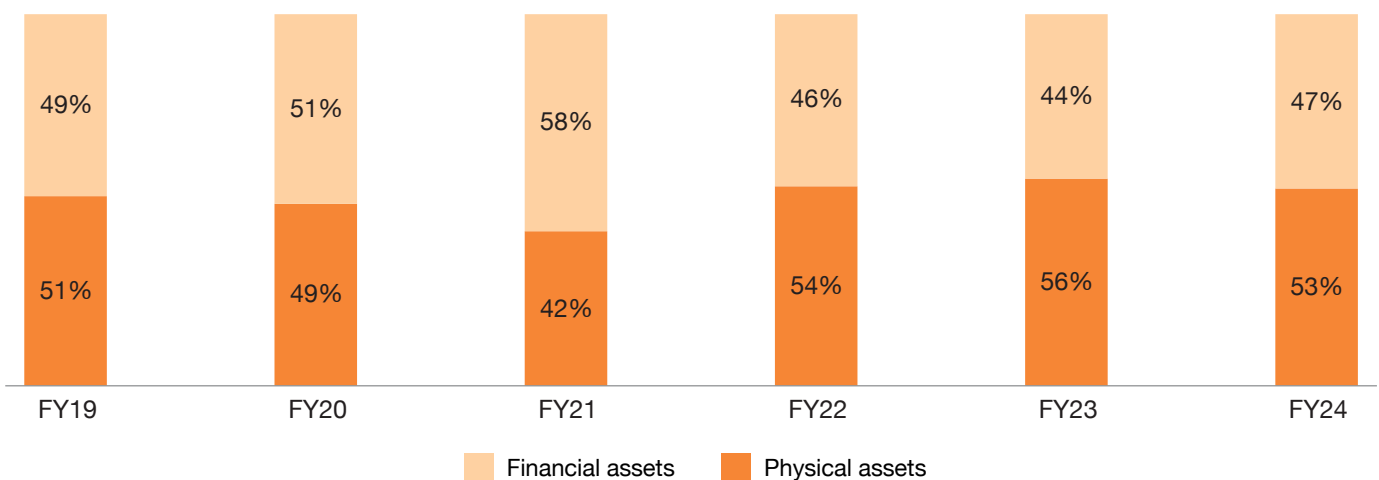
For decades, Indian households have anchored wealth in physical assets—primarily real estate and gold. Though this preference continues, gradual shift is underway where financial assets are gaining share within household savings, even as traditional instruments such as bank deposits remain dominant in absolute value.

This shift reflects a deeper behavioural change. Households are beginning to recognise a simple reality: low-yield instruments, which are often perceived as safe, preserve nominal value but not purchasing power. The willingness to accept marginal volatility in exchange for better long-term outcomes is slowly gaining popularity even though households lack the complete understanding of the risks involved.

India is moving from ‘comfort in physical assets’ to ‘comfort with managed risk’. The strategic question is no longer whether financialisation will accelerate, but who will guide it and how well?

While India’s balance sheet is transforming, structural under-financialisation persists.

Figure 10: Shift in household savings mix

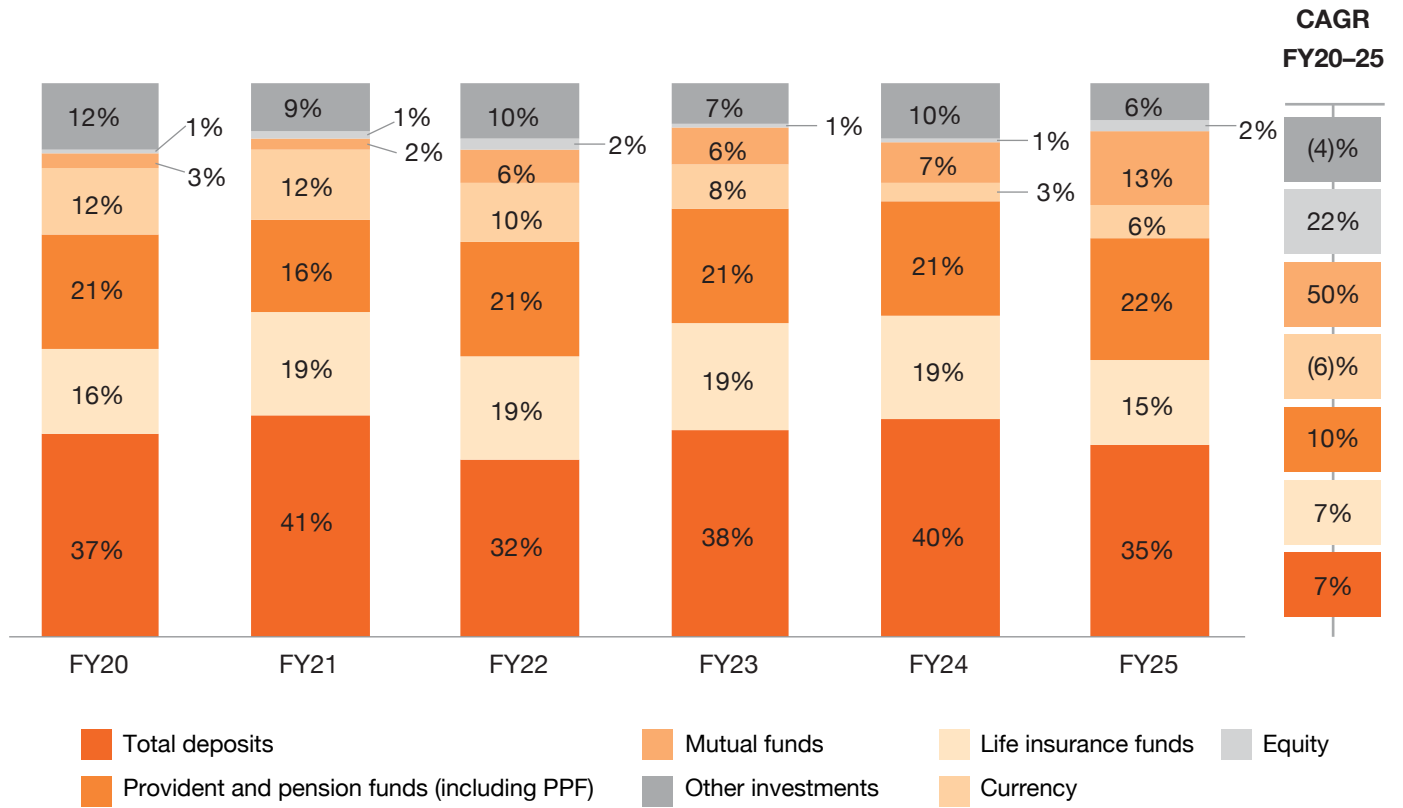


Source: RBI Household Financial Savings data and PwC analysis



Mutual funds and equity are the fastest-growing asset class in the past five years, gaining traction among households. Even a marginal reallocation from physical to financial assets may lead to a massive capital market opportunity.

Figure 11: Household savings in India



Source: RBI Household Financial Savings data and PwC analysis



2.3 Rise of the retail investor: When product access scales faster than product knowledge

The past decade has seen a sharp increase in retail participation across capital markets. Mutual funds have grown rapidly, with SIPs becoming a default savings behaviour for millions of households. At the same time, direct equity participation has expanded, with demat accounts growing significantly over a short period of time. The profile of the new investor is distinct in the following aspects:

- **Younger:** A structural shift, with Gen Z investors (under 30 years of age) forming 40% of stock market participants.¹⁹
- **Geographically dispersed:** Participation is increasingly sourced from non-Tier 1 cities.
- **Digital-first:** Mobile platforms are often the primary entry point into financial markets.

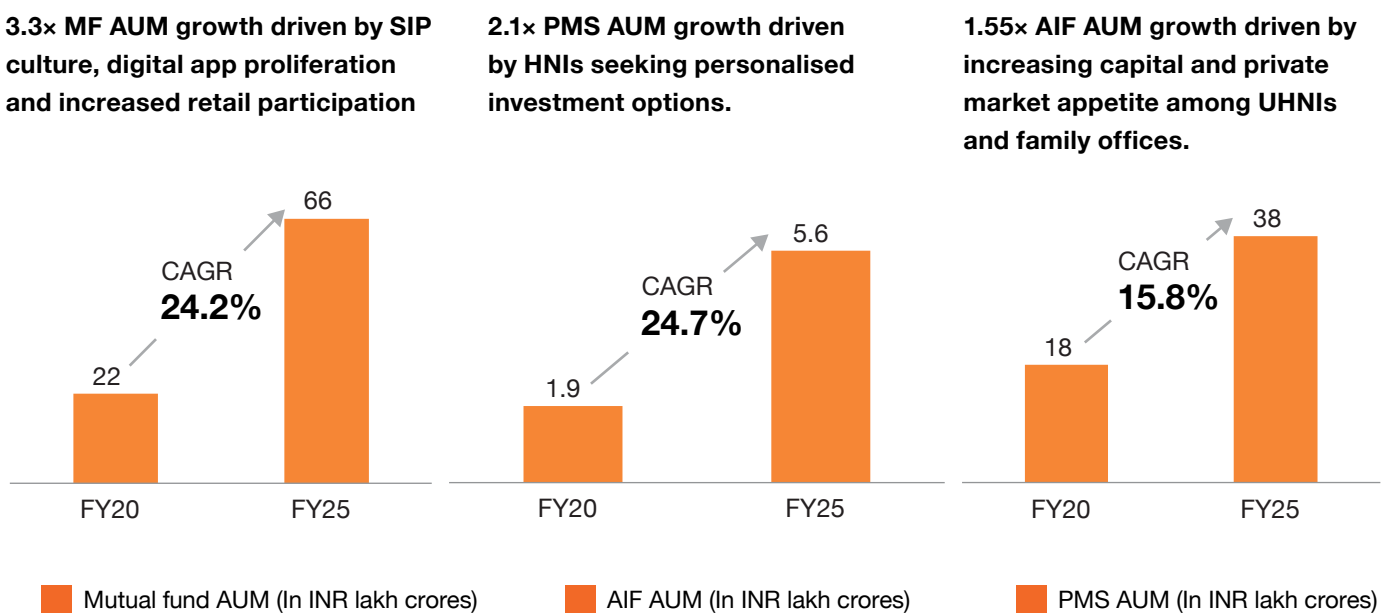
Access is no longer the constraint. However, access has outpaced understanding and, in some cases, amplified sub-optimal decision-making at scale.

At present, many investors are confident in executing trades but lack confidence in asset allocation, risk assessment, and investment horizon. Decisions are frequently based on recent returns, short-term price movements, or peer behaviour.

Across cycles, patterns repeat:

- Investors enter after markets have rallied
- Exit during periods of volatility
- Reallocate based on recent performance
- Though technology has made participation easier, it hasn't yet improved behaviour.

Figure 12: Distinct growth engines are scaling India's asset management, retail-led MFs, HNI-driven PMS and UHNI-backed AIFs



Source: SEBI, Public sources and PwC analysis

19 India Brand Equity Foundation (IBEF) article

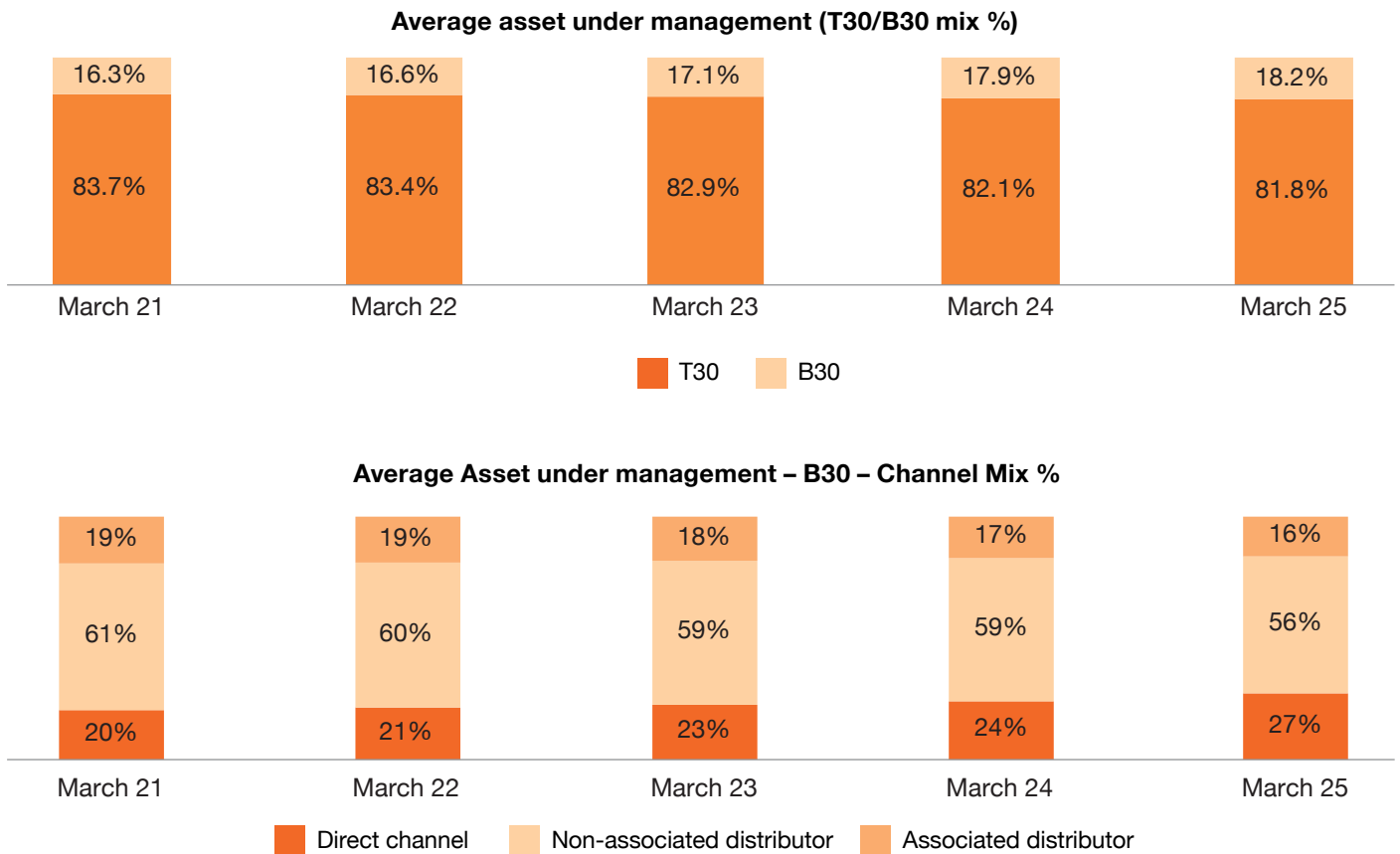
Growing complexity in the financial services industry makes advisory services indispensable.

Over the last decade, SIP inflows have grown at around 29% CAGR from FY21–26, with monthly SIP contributions reaching ₹3,495 billion in March 2026.²⁰ However, 55–60% of new SIP registrations come from Beyond 30 (B30) cities, while total mutual fund household penetration remains limited and heavily skewed towards metros.²¹ This indicates that while product awareness and access are present, user activation at scale is not.

Steady growth of B30 participation of MF inflows rising to 18.2% as of March 25. Inflows from B30 cities are still heavily reliant on distributor models.

There is a major shift in investment patterns with retail participation moving from single products to more complex investment models and portfolios. Investor portfolios are becoming more complex and outpacing investor capability.

Figure 13: Average AUM split between T30 and B30 cities alongside the B30 channel mix evolution



Source: SEBI, Public sources PwC analysis

20 Public sources and PwC analysis

21 India Brand Equity Foundation (IBEF) article

2.4 A structural reset in distribution: From product pipelines to advice platforms

For a long time, financial distribution in India followed a simple model where products were manufactured, pushed through intermediaries, and sold through relationships. In such a scenario, most interactions were transactional. However, that model is changing as the abundance of products and fragmented distribution channels has made decision-making more complex for investors and choice has expanded faster than clarity.

Five structural shifts are reshaping distribution

Wealth is expanding – but unevenly

- Rapid growth in affluent households, combined with high concentration of assets at the top, has created both depth and white space
- A significant portion of wealth—particularly among the emerging affluent—remains under-advised or informally managed, implying substantial headroom for professional advisory.

1

Affluence is spreading beyond metros

- Capital market participation increasingly coming from Tier 2/Tier 3 cities and no longer confined not just top metros.
- Tier 2 and Tier 3 markets are emerging as important sources of both wealth creation and capital market participation, expanding the geographic footprint of opportunity.

2

Growing younger investor base and digital platforms

- New investors are younger, mobile-first, and comfortable with self-directed execution.
- Require guidance on areas including asset allocation, volatility management and goal integration

3

Shift from products to curated portfolios

- Households are moving from isolated product ownership to portfolio construction.
- Across segments, allocation is becoming multi-asset.
- Rise of wealth-tech platforms accelerates adoption of curated and model portfolio investing.

4

Regulatory push and support

- Regulatory interventions have improved transparency, reduced mis-selling, and emphasised suitability and fiduciary responsibility.
- This has raised the bar for distributors, pushing them to articulate value beyond product access.

5

Together, these shifts are redefining what distribution means. The question is no longer who can sell the most products, but who can solve the investor's financial problem consistently, across market cycles and this marks the transition from product distributors to advice-led platforms.

Figure 14: Strategic implications of desired evolution of the financial distribution model

Then		Now	Strategic implications
Product-led Push best-selling products	➤	Portfolio-led Build for investor goals	Distributor becomes product architect
Transaction Event driven and episodic	➤	Advice driven Continuous, cycle aware	Revenue tied to sustained relationship
Access Products and Markets	➤	Outcomes Financial goals achieved	Trust driving persistency

2.5 The evolving role of advice: From intermediary to an outcome architect

Direct platforms have expanded access and convenience for investors while also highlighting an important reality—the real challenge lies not in access, but in decision-making. Investors do not struggle to buy products; they struggle to stay invested, manage risk, and make choices that align with their long-term objectives. This is where advice becomes critical particularly in India, where:

- **Trust remains localised and relationship-driven:** In smaller cities and towns, where most incremental investors originate, financial decisions remain deeply personal and socially embedded. Households often prefer someone they can meet, call, or hold accountable when markets turn volatile.
- **Financial literacy is uneven:** While financial inclusion and digital penetration have grown, investor literacy remains inconsistent. A large cohort of investors can transact independently but still need support to design and adhere to a coherent plan.
- **New wealth is first-generation and advice-hungry:** A large share of millionaire households are entrepreneurs or professionals who have built wealth recently. While they may be tech-savvy and comfortable executing trades, they often lack the time or inclination to design institutional-grade portfolios, creating space for high-quality advisers.

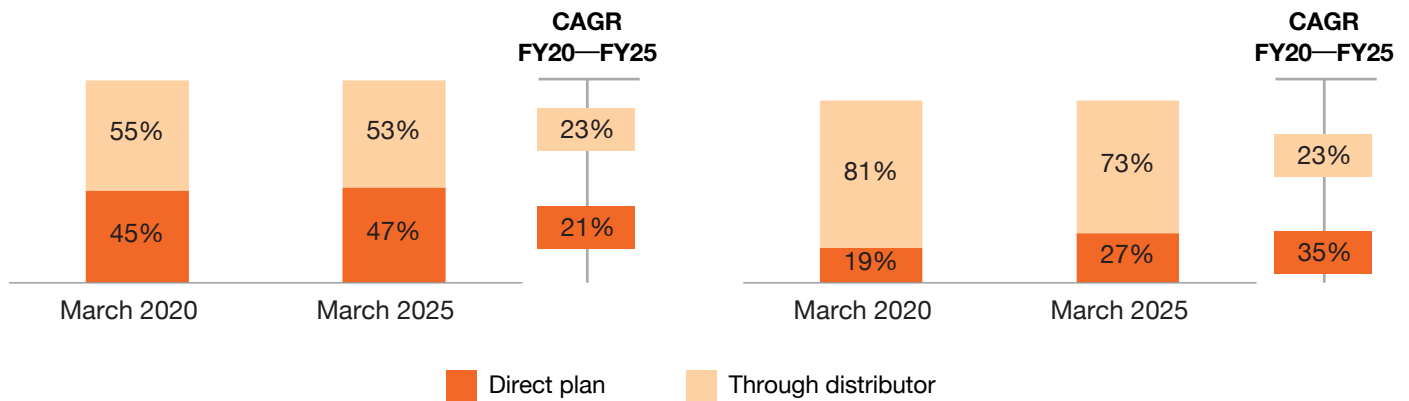
In this context, good financial advice is not about product selection. It is about:

- structuring portfolios
- guiding investors through market cycles
- Linking investments to real-life goals.

The most successful distributors of the next decade will not look like product sellers. They will look like outcome architects—combining incidental advice, behavioural insight, and technology within a trusted relationship.

While overall inflows through direct channels account for 47% of Industry AUM, retail and HNI investors still rely heavily on distributor channels (73% of inflows originating from distributors), re-enforcing the importance of advice-led distribution channels.

Figure 15: MF overall AAUM—direct v/s distributor mix % **Figure 16 Retail AAUM—direct v/s distributor mix %**



Source: Public sources and PwC analysis

Note: Retail AAUM is inclusive of HNIs.



Figure 17: Distributor networks catering to varied customer segments along with their desirable product characteristics

	Customer focus and market segments				Product design characteristics		
	Global banks	Exclusive wealth management players	Indian banks and financial institutions	Independent financial advisors			
UHNIs →	Provide dedicated support to clients, deal only in large investable amounts	Exclusive range of services including tax planning, legal advisory, and succession planning			Customised	Advisory-led	PMS/AIFs
HNIs →			Lean towards private banking, and cross-selling bank products		Tax-efficient structures	Estate planning	Estate planning
Mass affluents →				Dedicated wealth managers do not provide advisory on MFs/ Equity or insurance products	Goal-based investment	SIPs/SIFs	Digitally efficient
					Hybrid advisory model	Equity markets	Protection linked offering
Retail investors →					Simplistic	Liquidity focused	Low-cost options
					Trust based	Inclusive models	

Source: PwC analysis

“
 The true value of a mutual fund distributor lies not in predicting markets or chasing short-term scheme performance but in guiding investors to remain invested in quality mutual funds for the long term.”

– Neeraj Choksi
 Co-founder and Promoter, NJ Group

2.6 What this means for the industry

The shift in wealth distribution and the evolution of the distribution ecosystem are part of the same story. As wealth becomes more dispersed, financial choices become more complex and regulatory and compliance requirements become more taxing—the market’s need for credible, process-driven, locally trusted intermediaries increases rather than declines. The role of independent financial advisors (IFAs) and other advisory-led distributors is therefore being redefined upwards.

Digital platforms, wealth tech solutions, and model-driven investment interfaces are reshaping investor expectations and redefining how value is perceived in the investment journey. They highlight a growing preference for structured, easy-to-understand, and outcomes-oriented investing. In this evolving landscape, advisors who adapt by focusing on goal-based planning, disciplined processes, and advice-led engagement would remain highly relevant.

The next phase of the industry will not be determined by whether advice survives digital disruption but will be defined by which intermediaries can combine technology, trust, and goal-based engagement into scalable and credible wealth models. This is the space in which IFAs and other advisory-led distributors may emerge as some of the most critical institutions in the next stage of market development.

Distributors that remain anchored to product distribution will grow with the market.

Those that are able to bring structure, discipline, and continuity to investor decisions are more likely to shape it.

Distributors of the next phase need to transform to qualitatively improved ecosystem to remain relevant.

Figure 18: Desirable characteristics of the next-gen distributor



As the advisory layer evolves and distributor economics shift from transaction to trail, a deeper question emerges: can the underlying unit economics of distribution sustain this transformation? The next chapter examines the profit architecture of distribution—how TER compression, commission incidence, and the shift to value-based models are reshaping whether growth creates value or merely scales inefficiency.

Capital markets wealth distribution: From products to advice

India's wealth market is expanding at the top, activating in the middle, and becoming more advice-hungry. The key shift is from selling products to helping households make better long-term decisions.



Wealth concentration
Top of Indian wealth pyramid controls majority of the financial assets



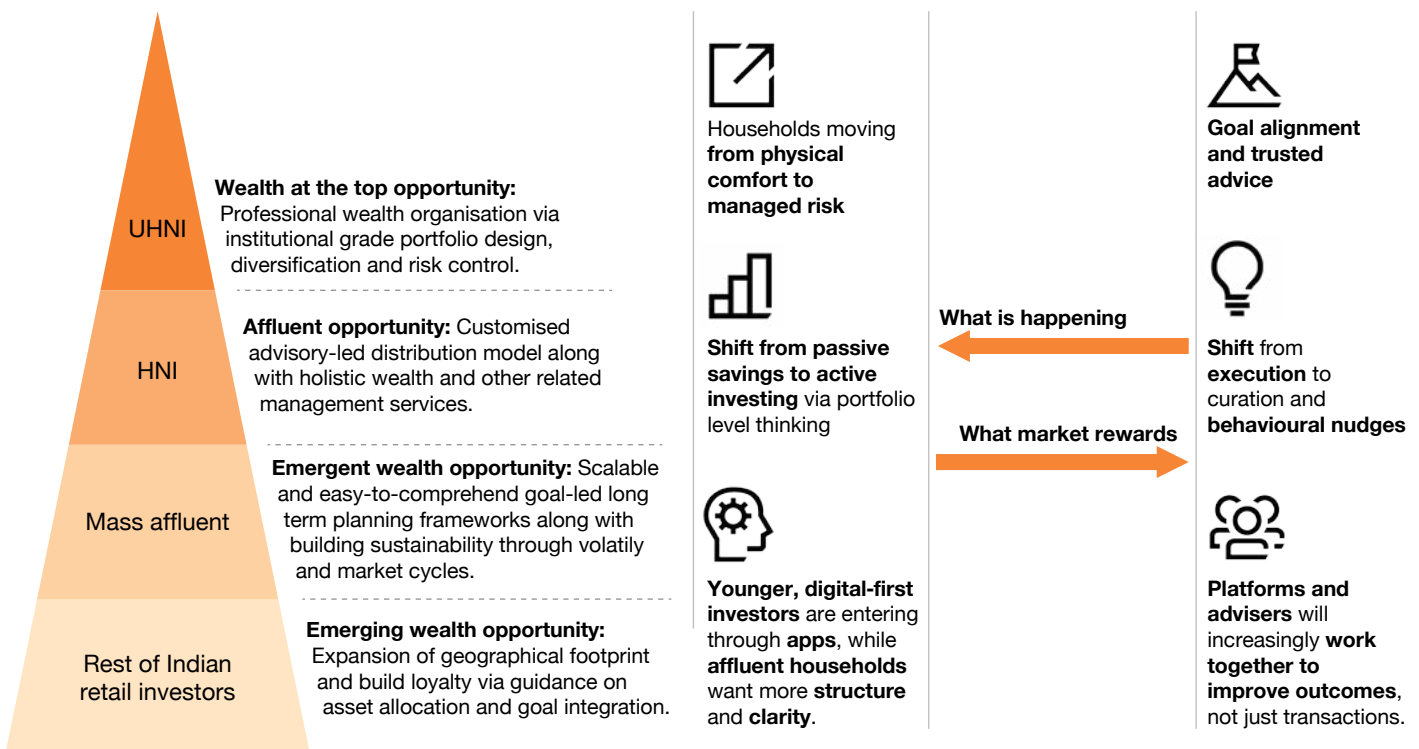
Activation zone: The middle of the pyramid
Mass and mass affluent customers are becoming financially active



SIP-led retail participation
has brought in younger and tech-savvy investors



Advice is the new differentiator
Judgment now matters more than the execution



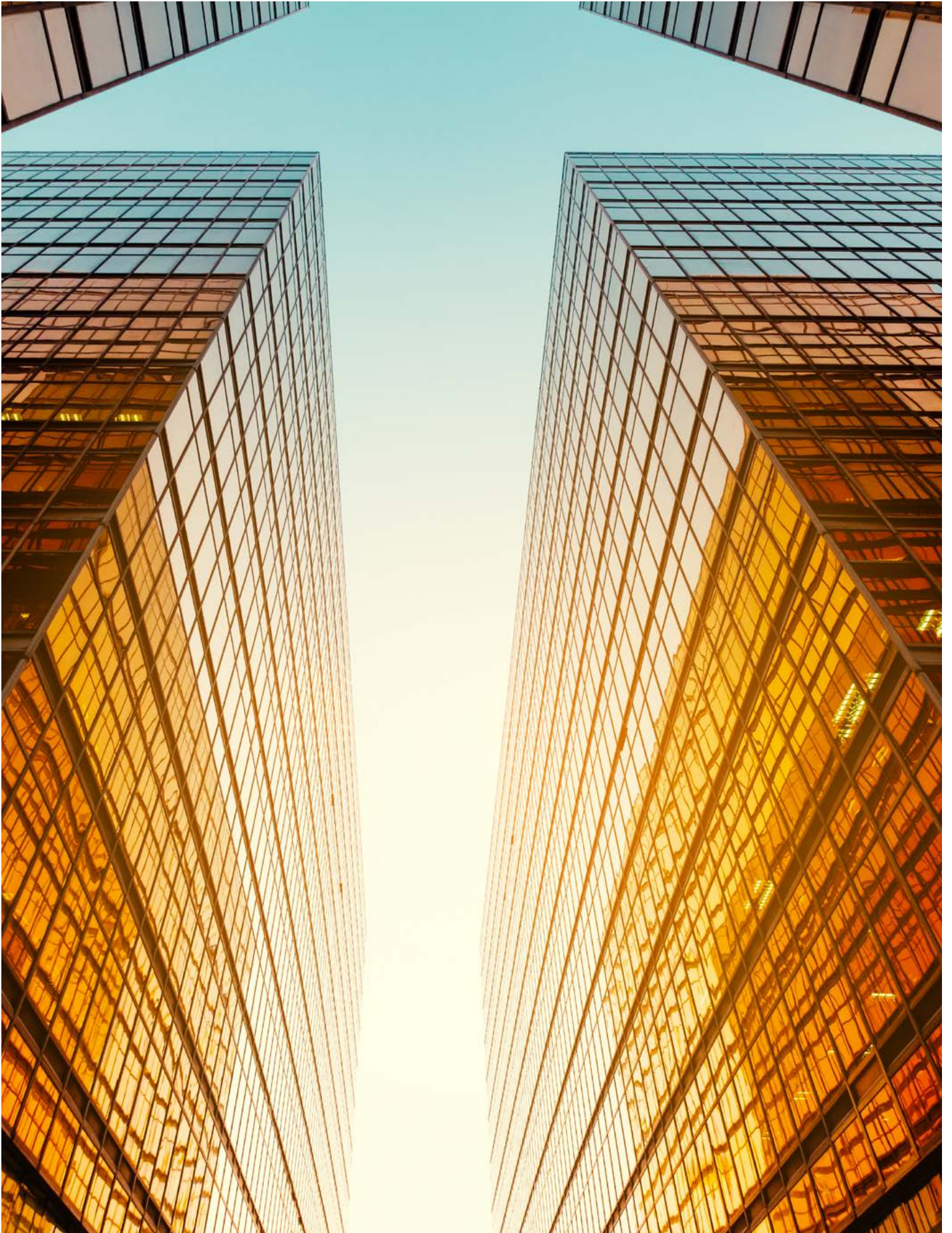
How India's capital market is evolving

Product innovation will shift toward integrated, goal-oriented solutions, hyper-personalisation, robo-advisory and long-term planning.

As execution digitises, sustainable differentiation is shifting to judgement-led advice, segmental specialisation and outcome orientation.

Distribution models are evolving from product-centric sales to relationship-based, trust-led engagement

Capital markets are consolidating their role as the primary platform for household wealth, risk management and long-term financial security.



03

Unit economics of financial distribution

3.1 Distribution as the hidden architecture of finance

Financial systems are often described through their products—loans, mutual funds, insurance, and alternative investments. In reality, what connects savings to investments is not the product itself, but distribution. Distribution performs three critical functions: channelling idle savings into productive capital, simplifying complex instruments into understandable decisions for investors, and directing capital allocation through advice and access. However, unlike manufacturing or underwriting, distribution is rarely examined through an economic lens, creating a critical blind spot.

In practice, products do not compete purely on return on investment. Investors do not choose options solely based on suitability to their needs. Capital flows are not neutral; they are shaped by economic incentives embedded within distribution structures. As finance evolves from 'holding assets' to 'managing flows', distribution is no longer peripheral, but it drives the economics of the system. The question is what determines the unit economics of financial distribution networks? For manufacturers, this typically translates into a simple question, does each customer (or each rupee of AUM) generate sustainable profit over its lifetime?

The main factors governing unit economics are:

- Customer acquisition cost (CAC)
- Lifetime value (LTV)
- Cost to serve/retention cost.

In distribution businesses, these factors determine whether AUM or volume growth creates value or simply scales inefficiency.

3.2 Economic sustainability of distribution models

Across mutual funds, broking, and wealth management, most Indian distribution models are still built primarily for growth, with economic profit varying significantly by model and scale. Regulatory caps on total expense ratios (TERs) and the shift to a fully trail-based commission model have structurally reduced distributor revenue per unit of AUM. At the same time, the evolution of discount broking has pushed brokerage in cash equities towards zero, compressing unit revenue per trading client over the past decade. As a result, brokers can no longer rely on traditional commission income and must focus on scale and ancillary revenue streams to remain profitable.

At the same time, the underlying pools for wealth management are growing rapidly, as discussed in the previous chapter. This growth often masks fragile unit economics: distributors and platforms frequently subsidise customer acquisition and pricing in the expectation that rising AUM, cross-sell, and operating leverage will improve economics over time.

The result is more customers and more AUM, but not always more profit per customer. The question is can lifetime value (LTV) reliably exceed CAC and cost to serve in a world of tighter regulation, transparent pricing, and increasing competition?

3.3 CAC vs. LTV: the governing equation of distribution economics

At the core of distribution economics lies a fundamental equation: CAC versus LTV. CAC is rising as manufacturers move away from relationship-only channels towards a blended model that includes digital marketing, onboarding support, compliance-driven processes, and service infrastructure. At the same time, LTV is being structurally compressed by pricing caps such as TER limits and lower brokerage rates, increased customer choice and higher churn, the growing popularity of low-cost options such as direct plans and passive products, and rising expectations around advice, reporting, and overall experience.

This has important implications for the sector. Distribution is no longer driven primarily by margins; it is increasingly defined by payback. Many business models now depend on improving customer retention, increasing wallet share across products such as PMS, AIFs, and structured solutions, and reducing the cost to serve as they scale. In other words, distribution has moved from a margin game to a time game—how quickly and reliably customer economics turn positive. This is the lens through which mutual funds provide a useful case study.

3.4 Mutual funds: Commission compression and the TER paradox

Mutual funds are often described as a simple story of TER compression benefitting investors. Unit economics presents a more nuanced view: the compression is real, but who absorbs the impact varies materially by asset management company (AMC) scale and distribution dependence.

A) Distribution dominates the cost stack

In a typical equity mutual fund under a regular plan, distribution commissions account for over half of the TER. Industry-wide, distributor commissions represent roughly 50%–65% of the regular TER, making them the single largest component of the expense pool.²²

For example, for a regular plan equity TER of ~1.52%, around 80–95 basis points typically accrue to distribution trail, leaving ~55–70 bps for the AMC to fund investment management, operations, and residual margin.²³ In many cases, distribution earns as much as or more than the manufacturer. This means a significant portion of the investor's recurring cost is attributable to distribution, servicing, and client management rather than portfolio management alone. This highlights a key policy point: in retail products where advice and servicing are bundled into product pricing, the investor's total cost is shaped more by distribution architecture than by investment management.

B) TER compression is real but the burden is not shared evenly

SEBI's reforms have emphasised transparency and investor protection by requiring scheme expenses (including commissions) to remain within regulatory limits and by shifting the industry to a full trail model through the removal of upfront incentives.

Regulatory interventions since 2018 have materially compressed industry TERs. Weighted average equity TERs have declined from ~2.0% in FY18 to ~1.35%–1.45% by FY24, with further tightening under the revised 2026 TER framework.²⁴ This translates into meaningful fee compression at the product level across AMCs and scheme types.

²² Company public disclosures and PwC analysis

²³ Ibid

²⁴ Ibid

TER compression behaves like an incidence problem—the fee pool shrinks, but the distribution of that reduction is uneven. An indicative analysis of equity schemes across AMC's by average assets under management (AAUM) size shows that outcomes differ materially by scale and distribution channel dependence.

- **Mega AMC's (>₹5 trillion AAUM):** Commission share is ~51% of TER, broadly stable over time, even as TER falls from 1.57% to 1.44%.²⁵ This suggests that large-scale and long-established distributor relationships help maintain a stable allocation of expenses.
- **Large AMC's (₹1.5 trillion–5 trillion AAUM):** Commission share rises to ~65% of TER, even as TER declines modestly (1.69% → 1.65%).²⁶ This implies that the AMC's share of economics (management fees) declines from ~44% to ~35%,²⁷ with competitive pressure absorbed more by the manufacturer than the distributor
- **Mid-sized AMC's (₹500 billion–1.5 trillion AAUM):** Commission continues to account for a high share of TER, at around 55%–60%.²⁸ There is a clear link between lower TER and pressure on management fees, indicating limited flexibility to shift economics away from distribution.
- **Smaller AMC's (<₹500 billion AAUM):** Commission share rises from ~52% to ~69%, even as TER declines (2.21% → 1.99%).²⁹ Greater reliance on distribution networks translates into weaker pricing power, with a larger share of the TER pool allocated to distribution-led costs.

TER ceilings clearly improve investor outcomes; however, how the reduced expense pool gets split depends on market structure, especially channel mix and bargaining power.

Mega or established AMC's benefit from entrenched, often sponsor-linked distribution networks (particularly bank channels), which help stabilise their economics. Smaller AMC's, by contrast, rely more on third-party MFDs and IFAs, where commissions tend to be higher keeping the distribution wedge elevated even as TER compresses.

TER compression is not just a fee cut. It changes how the economic pool is split, and that split is not even.



²⁵ Company public disclosures and PwC analysis

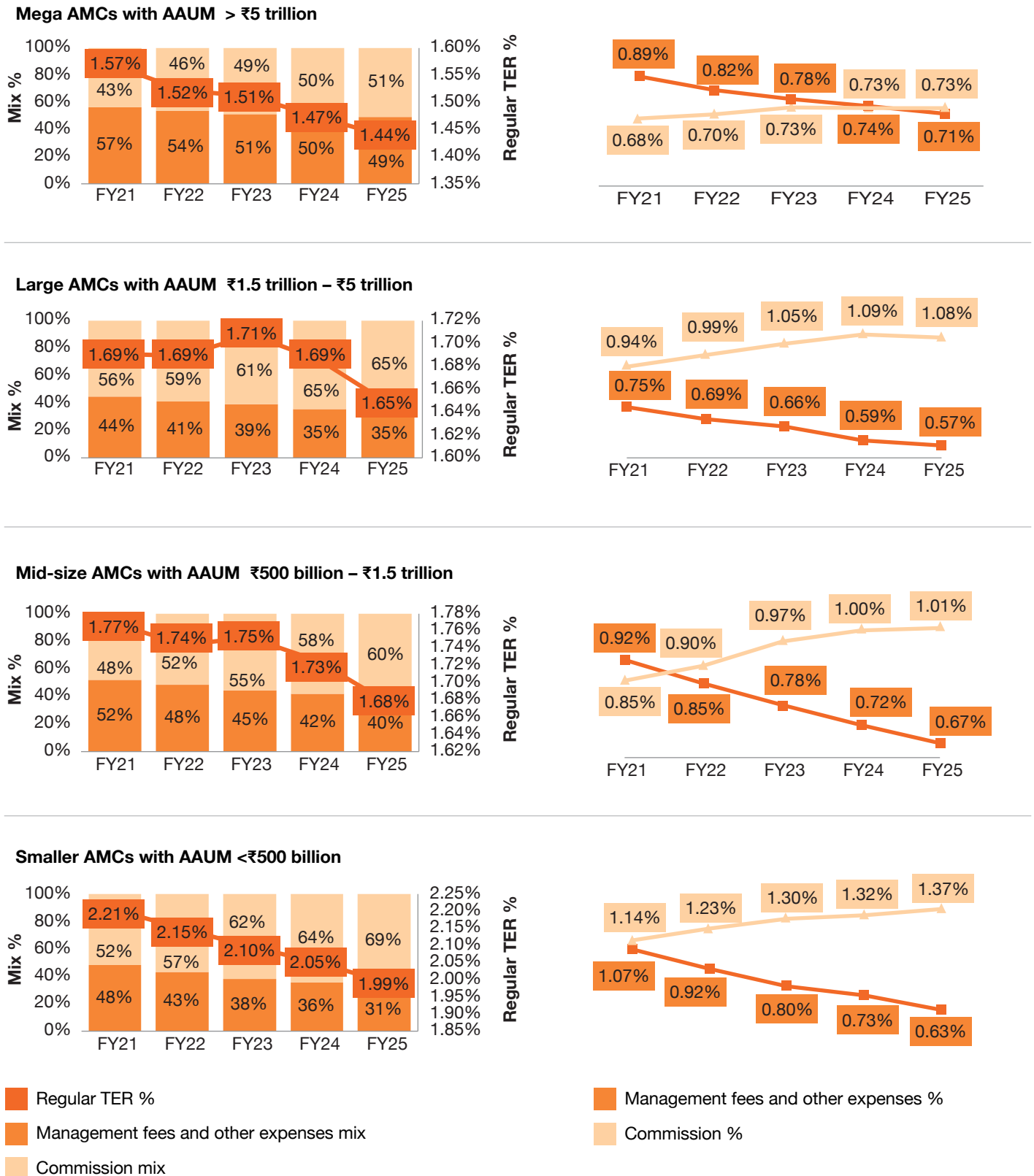
²⁶ Ibid

²⁷ Ibid

²⁸ Ibid

²⁹ Ibid

Figure 19: AMC fee and commission mix trends (FY21–FY25) categorised by AAUM size



Source: Company public disclosures and PwC analysis

Note:

- The above TER analysis constitutes top 40 AMCs and the numbers represent weighted averages. For the purpose of this analysis, we have only included equity schemes excluding contra funds, dividend yield fund, focused fund, sectoral/thematic, value funds and hybrid schemes.
- Categorisation of AMCs for this analysis is based on their AAUM size as of 9mFY26.
- For figure 19, commission = regular TER – direct TER; Management fees and other expense = Direct TER; Direct and Regular TER represents base TER

3.5 PMS and AIFs: A contrasting unit economics model

PMS and AIFs operate under a different economic model. Unlike mutual funds, fees are not capped by regulation but are determined in the market, typically combining management fees with performance-linked incentives. This creates a more flexible revenue pool, where pricing adjusts through negotiation rather than regulation.

Distribution economics in PMS and AIFs are more explicit and often linked to ticket size and client segment. They are typically structured through placement fees, trails, or revenue-sharing arrangements. Client relationships are deeper, investor expectations are higher, and pricing power is driven by outcomes and portfolio customisation rather than scale. As a result, the model is less volume-driven and more value-driven. While scale improves profitability, sustainability does not depend on continuously adding AUM in the same way as mutual funds. CAC is higher, but LTV is also materially higher, with greater scope to preserve margins. At a broad level, product design shapes unit economics: bundled, regulated retail products tend towards scale-led models, whereas unbundled, negotiated UHNI products allow greater scope for value-based pricing and clearer monetisation of advice.

3.6 The shift from products to platforms: What this means for distribution economics

The emphasis on economic sustainability across product distribution leads to three distinct economic models:

- **Product-led economics (mutual funds, cash broking):** Revenue is embedded in product pricing, margins are largely regulated, and sustainability typically depends on scale and cost efficiency
- **Advisory-led economics (PMS, AIFs, fee-based wealth):** Pricing is explicit and clearly defined, margins are negotiated between manufacturer and distributor, and outcomes drive client value rather than volume.
- **Platform-led economics (brokers and wealth-tech platforms):** Core product margins are thin or subsidised, and long-term viability depends on CAC discipline, higher LTV, cross-sell of products, and operating leverage.

As regulation, transparency, and competition increase, one point is clear: growth alone is no longer sufficient. What matters is whether that growth translates into sustainable unit economics. The ability to align CAC with durable, recurring LTV will determine which models scale effectively and which continue to grow without becoming economically robust.

The economics of distribution are clearly under pressure. It's getting more expensive to acquire customers, investors aren't staying or spending as long as they once did, and the margin structures that traditionally supported distributor networks are being squeezed. At the same time, these challenges are driving a major shift in how people access financial markets. As basic execution becomes cheap and widely available, and advisory fees come under strain, control over the investor relationship is moving to the interface platforms, i.e. super-apps and digital marketplaces. These front-end ecosystems are emerging as new battlegrounds. The next chapter looks at how this platform-led model is changing who owns the investor journey, and what that means for competition across Indian financial services.



04

Platform-led distribution: The rise of financial marketplaces

As advisers move up the value chain, the execution layer of investing is being rapidly standardised. Over the past decade, India's digital public infrastructure has fundamentally changed how investors discover, evaluate, and transact. What was once a relationship-led, branch-driven process is now increasingly platform-led, mobile-first, and instantaneous.

4.1 Digital rails and the new ramp to markets

A decade ago, investing in financial products required time, paperwork, and often physical interaction. Today, it can be done in minutes on a smartphone. This shift has been enabled by a combination of factors: widespread mobile connectivity, low-cost data, and the adoption of UPI have made digital payments routine for most households, including for very small transactions. As a result, opening an investment account has moved from a paperwork-heavy, branch-led process to one that can be completed on a mobile phone within minutes.

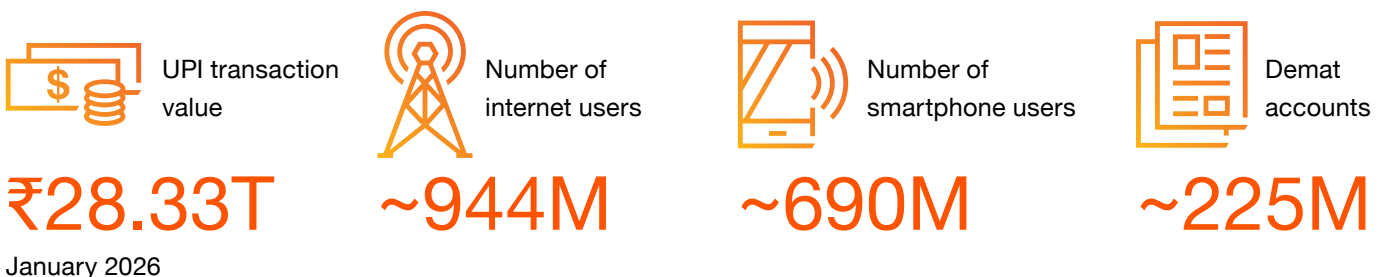
The implications for market participation have been significant:

- Demat accounts have grown rapidly in recent years, rising from around 55 million in FY21 to nearly 225 million by March 2026, representing a substantial broadening of the retail investor base.³⁰
- Discount brokers now account for roughly 64% of NSE active clients, reflecting the shift towards digital-first access models.³¹
- In mutual funds, app-based investing has become mainstream, with folios reaching ~274 million by March 2026 and equity-oriented folios showing consistent year-on-year growth.³²

This growth has not been purely digital but has been enabled by a combination of app-based platforms and human intermediation. While platforms have made low-ticket SIPs accessible, distributors and IFAs continue to play a critical role in translating these tools for less confident investors.

Access is no longer the constraint. With costs and friction now minimal, distribution models that rely primarily on facilitating entry and transactions will face increasing pressure. The next phase of value creation will depend less on enabling access and more on shaping investor behaviour and outcomes.

Figure 20: Factors driving growth of embedded finance in India



Source: NPCI data; TRAI data; IBEF

³⁰ SEBI - Progress Report of NSDL and CDSL as on end of Month and PwC analysis

³¹ NSE data and PwC analysis

³² Public sources

4.2 Super-apps and financial marketplaces: Competition for the consumers' home screen

The first generation of FinTech in India's capital markets focused on single-purpose solutions—broking platforms, direct mutual fund apps, or portfolio trackers while the next generation is organised around financial marketplaces and super-apps. Together, these platforms consolidate equities, derivatives, mutual funds, exchange traded funds (ETFs), sovereign gold bonds, and increasingly credit and insurance within a single interface. The goal of these platforms is simple: to become the primary financial touchpoint for the investor.

Many digital players and discount brokers are already competing for this position. Industry estimates suggest that digital discount brokers collectively account for most new account openings and a significant share of active participation, particularly among younger investors.³³ A large proportion of new users falls in the 18–30 age bracket.³⁴ These are often first-time investors whose initial experience of financial markets is through an app rather than a relationship manager.

Mutual fund distribution reflects a similar shift. Regulatory changes such as the direct plan framework, combined with exchange-led infrastructure, have enabled consumer-facing platforms to emerge as large-scale retail marketplaces for investment products.

The super-app competition in India is effectively a race to own the primary financial relationship with the consumer. Platforms that achieve this through daily transactional engagement, salary credits, or embedded investment habits gain a distribution advantage that compounds over time. The question for product manufacturers is whether this relationship between users and platforms will remain a partnership or evolve into dependence.

Figure 21: Comparative overview of FinTech distribution models

Model type	Aggregator platforms	Multi-product FinTech	Super-apps	Wealth-tech platforms	Embedded finance	B2B2C
Description	Pure-play marketplaces comparing and distributing across product categories	Investment platforms expanded from a single product into multi-asset distribution	Payment platforms that have layered financial services onto a transaction core	Low-cost, technology-enabled access to investing, advisory, and portfolio management.	E-commerce and consumer tech embedding credit and insurance into purchase journeys	Distributing through payroll platforms, ERPs, HR systems to reach employees or SMEs
Core competency	Product curation and comparative analytics across multiple manufacturers	Seamless multi-asset execution and unified portfolio management	Large existing user base and resultant network effects	Democratising access to quality investment advisory services for retail investors	Offering financial products exactly when and where consumers need them during regular purchases	Institutional distribution leverage through employer-employee and enterprise-SME trust relationships
Core problems addressed and strategic direction	Addressing fragmented discovery; evolving toward personalised recommendations	Eliminating multi-app dependency; further introducing advisory-led engagement to counter low lifetime value	Expanding financial inclusion and leveraging transaction data to scale capital market offerings	Mitigate high-cost, conflicted advisory models via low-cost, hybrid robo-advisory and access to alternative assets	Reducing checkout friction by embedding financial products within commerce workflows; expanding beyond credit	Bridging access gaps for employees and SMEs through enterprise platforms; evolving toward bundled financial solutions

33 NSE data and PwC analysis

34 NSE Market Pulse report July 2025 and PwC analysis

4.3 What this means for the financial services industry

From a sector lens, the convergence of affluence, youth, digital rails, and regulation is shifting the ecosystem from product availability to outcome accountability. This has several implications:

1. **Execution will commoditise; insight will not:** For today's digitally comfortable investor, switching between platforms, products, or strategies is effortless. Price discovery, scheme comparison, and performance data are readily accessible. In this environment, execution becomes a low-margin activity. Differentiation will come from the ability to provide context—helping investors decide not just what to buy, but why, when, and how much. Curation, behavioural nudges, and goal alignment will become more valuable than transaction capability alone. Participants that do not build a layer of insight, curation, and advice on top of execution risk being trapped in a low-margin race.
2. **Advisers and platforms will need to co-evolve:** The prevailing narrative is often framed as 'platforms versus advisers' where technology eventually displaces human advice, however, in practice, the more durable model is likely to be collaborative. IFAs and wealth managers cannot afford to ignore platforms as distribution infrastructure. Similarly, platforms are unlikely to fully replace the role of advice, particularly for complex financial decisions, life-stage transitions, and risk management. The models that endure will combine both: platform efficiency with human insight.
3. **Manufacturers must own the 'why', not just the 'what':** In a marketplace, product access is universal. A fund or investment solution can be discovered and transacted across multiple platforms with minimal friction. This reduces product proliferation as a source of differentiation.

To address this, manufacturers will need to articulate a clearer purpose for each offering—how it fits within an investor's broader financial goals, the role it plays in a portfolio, and the outcomes it is designed to deliver. This will require enhanced alignment between product design, distribution strategy, and investor outcome measurement.

4.4 Platform concentration risk and systemic dependencies: The paradox of democratisation and concentration

India's capital market evolution has been shaped by digital platforms that make investing simpler, cheaper, and more accessible. However, these platforms have also led to increasing concentration, alongside significant efficiency and access gains within the distribution layer. When two or three platforms account for the majority of new demat account openings and SIP registrations, the system develops structural dependencies on their operational resilience, governance standards, and business continuity. This concentration is an emerging regulatory concern that Indian authorities are beginning to address more actively. Key risks include:

Single-platform failure risk: A serious cyber incident or prolonged outage at a large platform could disrupt trading, SIP execution, and portfolio access for millions of investors simultaneously. This could lead to market-wide slippage, hedge failures, or settlement disruptions.

Conduct concentration risk: When a small number of platforms influence investor behaviour through design, nudges, product placement, or defaults, they could unintentionally drive herding behaviour, amplifying volatility, particularly in smaller-cap segments.

Regulatory arbitrage risk: Many dominant platforms position themselves as technology companies rather than financial intermediaries, creating potential gaps between SEBI's regulatory perimeter and broader consumer protection frameworks.

SEBI has begun addressing these concerns through its super-app framework, including the launch of the Unified Investor App in February 2025 in collaboration with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). This provides a consolidated, regulator-verified view of investor holdings across brokers and depositories, signalling recognition that platform concentration requires regulatory counterbalance.

Platform-led distribution has reshaped India's capital markets, enabled by digital public infrastructure such as UPI and the Account Aggregator framework, alongside a rapidly evolving FinTech ecosystem. However, the same forces that have enabled this democratisation have also introduced new challenges, including concentration risk, systemic vulnerabilities, and gaps in accountability across multi-layered platform models. Addressing these issues is central to the evolution of India's regulatory framework.

Going forward, India must pursue a dual objective: continue expanding access through platform-led models while building a governance architecture that enforces accountability, strengthens interoperability, raises technology risk standards, and actively monitors systemic dependencies. India has the scale, regulatory depth, and digital infrastructure to become a global leader in governing digital financial marketplaces. Realising this potential will require policymakers, platforms, and market participants to address emerging structural risks with the same rigour that characterised the expansion of platform-driven access. The structure of financial distribution is being reshaped from a pipeline model to a platform model. In this new architecture:

- Access is abundant
- Interfaces consolidate
- Value shifts towards insight, trust, and outcomes.

Winning in this environment will not depend on who controls the transaction, but on who meaningfully improves the investor's financial journey.



India's digital stack—UPI, Account Aggregator, DIGI-locker, and the JAM trinity—has compressed the cost of reach dramatically. But distribution cannot be reduced to a download. In a country of extraordinary socio-economic diversity, where a first-generation investor in a small town is making the most consequential financial decision of her life, the human touch is not just a legacy feature but the differentiator. The future belongs to models that marry the efficiency of technology with the empathy of people.”

– Navneet Munot
MD and CEO, HDFC Asset Management Company Limited



We often think of scale as an outcome of distribution, but in many ways, it is now an outcome of architecture. The way we design our technology stacks, embed intelligence, and manage data will determine how effectively we can expand access while preserving trust. AI will play a central role, but its adoption has to be responsible and purposeful. Sustainable distribution models will be those that combine reach with reliability, and innovation with discipline”

– Anuj Kumar
MD, CAMS

05

The trust imperative: Investor protection in India's capital markets distribution

India's capital markets distribution ecosystem is at an inflection point. Rapid digitisation, expanding retail participation, and the emergence of platform-led, and marketplace-driven models have fundamentally altered how investment products are manufactured, distributed, and consumed. With more than 100 million demat accounts, rising mutual fund penetration beyond T30 cities, and the convergence of FinTech and traditional intermediaries, the opportunity for inclusive wealth creation has never been greater.

However, scale without safeguards carries risk. As distribution becomes digital-first, investor trust is increasingly shaped by data protection, cybersecurity resilience, and regulatory integrity—rather than physical presence or brand legacy. In this environment, trust, security, and compliance are no longer back-end controls; they are front-end differentiators.

5.1 Trust as the cornerstone of investor protection

a) Customer protection

Securities/mutual funds: SEBI mandates risk profiling for all mutual fund distributors clients, with the risk-o-metre updated monthly to reflect portfolio shifts. The KYC framework has been harmonised across SEBI, IRDAI, and RBI through the Central KYC Records Registry (CKYCRR). SEBI has also mandated execution-only platforms to maintain records of investor risk profiles. However, in practice, risk profiling is often formula-driven and treated as a checkbox exercise rather than a genuine advisory interaction. SEBI has also taken steps to enforce separation between advisory and distribution activities, ensuring that a single entity or group cannot simultaneously act as a registered investment adviser and a mutual fund distributor, thereby reducing structural conflicts of interest in the Indian investment advisory market.

PMS and AIF investments: SEBI requires portfolio managers to assess a client's suitability before offering PMS, including investment objectives, risk appetite, investment horizon, and financial capacity. To strengthen investor protection, SEBI has set the minimum investment threshold for PMS at ₹5 million, limiting access to investors with the capacity to bear associated risks. Similarly, under SEBI's AIF Regulations, most AIFs require a minimum commitment of ₹10 million per investor. Category III AIFs, which employ more complex trading strategies and leverage (including derivatives), are subject to stricter disclosure and suitability requirements. Taken together, these measures enhance alignment between product complexity, investor capability, and portfolio management controls, supporting sustainable market development while maintaining a strong emphasis on investor protection.

Banking and wealth (RBI): RBI has reinforced trust and transparency in the distribution of capital market and mutual fund products through its Fair Practices Code. Banks and financial institutions are required to ensure clear disclosures, align product offerings with customer needs, and maintain accountability for third-party products distributed through banks. By mandating transparent communication, suitability considerations, and robust grievance redressal, RBI strengthens customer confidence and reduces mis-selling risks, supporting a more responsible and trustworthy distribution environment.

b) Intermediary responsibilities

With the growth in the number of distributors, associates, and digital advisors, accountability has become critical, supported by clearer delineation of responsibilities across ecosystem participants. Key responsibilities include:

- Suitability and appropriateness obligations
- Enforcement of fiduciary duties, especially in advisory and hybrid models
- Prevention of mis-selling and disclosure of conflicts of interest
- Auditability of advice, recommendations, transaction monitoring, and compliance history.

c) Manufacturer responsibilities

Product manufacturers play a central role in building trust through clear, transparent product design. This includes:

- Transparent product design and risk disclosures
- Fair pricing (TER caps) and standardised communication
- Accountability for distribution practices aligned with product intent.

Collectively, these measures enhance transparency, improve investor understanding, and strengthen market confidence. They also reflect a shift from execution and volume-driven models towards fiduciary, advice-led approaches and outcome-based accountability.

5.2 Security: Managing digital and cyber risk in the digital-first ecosystem

From operational risk to market integrity risk

In a digital-first distribution ecosystem, cybersecurity is not an IT issue; it is a market integrity issue. Platforms today process biometric authentication, financial credentials, transaction data, and behavioural analytics at scale, elevating cyber risk to a systemic concern.

The evolving threat landscape includes:

- Phishing and social engineering attacks targeting retail investors
- Application programme interface (API) vulnerabilities in open architecture platforms
- Malware and compromised credentials affecting digital wallets and trading accounts
- Risks associated with third-party and cloud infrastructure.

A security-by-design approach is required to address these risks.

Secure digital infrastructure: Effective security begins with a robust architecture:

- Zero-trust frameworks and strong identity and access management
- Encryption of sensitive data across storage and transmission layers
- Secure APIs and hardened interfaces across ecosystems.

Continuous monitoring and response: Prevention alone is insufficient. Institutions need to adopt:

- Real-time monitoring through security operations centres (SOCs)
- AI-driven fraud detection and anomalous behaviour analysis
- Defined incident response and escalation frameworks.

Ecosystem-wide responsibility: Security can no longer be siloed. Platforms, distributors, FinTech partners, and cloud providers must adhere to consistent standards, testing protocols, and accountability structures. The objective is not the elimination of risk, but the creation of resilient systems that protect transactions, data, and investor confidence under stress.

5.3 Compliance: Regulatory and market safeguards in place in India

Regulators and industry bodies in India have taken early and sustained steps to address these risks. As a result, the existing framework is well developed and continues to mature.

SEBI's regulatory approach

SEBI has laid the foundation across multiple fronts with:

- The Execution-Only Platform (EOP) framework, which brings digital mutual fund platforms within a defined regulatory perimeter
- The stock-broker master circular, which consolidates obligations around conduct, systems, and client protection
- The Investor Charter, which sets expectations on transparency and service standards
- SCORES 2.0 and the Online Dispute Resolution (ODR) portal which have strengthened grievance redressal and reduced timelines
- The Cybersecurity and Cyber Resilience Framework (CSCRF), which sets minimum expectations for technology and risk management
- Recent actions around regulated and unregulated linkages, reflecting growing concern around influencer-type ecosystems
- Enhanced mutual fund disclosures (risk-o-metre, expenses, returns), improving transparency for investors.

Role of exchanges (NSE and BSE)

NSE and BSE provide structured investor grievance mechanisms and online platforms for complaint tracking. There is increasing alignment between exchange-level mechanisms and SEBI's SCORES system, supporting a more integrated escalation framework.

The Association of Mutual Funds' (AMFI's) role in strengthening distribution conduct

AMFI has strengthened the mutual fund distribution ecosystem through:

- Mandatory registration with AMFI's registration number (ARN)
- Employee unique identification number (EUIN)-based accountability at the individual level
- A stronger code of conduct
- Detailed guidelines for Category 1 EOPs, including requirements on technology, records, and grievance handling.

These measures have improved transparency and traceability, even as the ecosystem becomes increasingly digital.

The Digital Personal Data Protection (DPDP) Act, 2023

India's DPDP Act is expected to accelerate data clean-up initiatives across enterprises. By mandating explicit consent, data accuracy, and the right to erasure, the Act compels organisations to reassess and streamline data inventories. This regulatory push strengthens privacy compliance and supports scalable, ethical AI adoption.

As organisations align with DPDP requirements, they are likely to invest more in data hygiene, minimisation, and governance frameworks, bridging the gap between foundational controls and readiness for AI at scale.

This regulatory momentum is driving increased investment in data governance, protection, and privacy controls, alongside stronger compliance frameworks—signalling a shift in cyber spend towards trust, resilience, and regulatory alignment.

5.4 How investor protection can be strengthened

While the direction set by regulators and industry adoption has been encouraging, the system is still catching up with the pace at which the digital financial services ecosystem is evolving. The following areas highlight where oversight can further evolve:

1. **From disclosure to design governance:** Regulation has traditionally focused on the information presented to investors. As journeys become more digital, equal attention is needed on how that information is presented. Elements such as rankings, defaults, nudges, gamified cues, and notifications can significantly influence behaviour. If left unaddressed, they may undermine the intent of ‘execution-only’ models.
2. **Stronger suitability for higher-risk products:** Wider access to complex or leveraged products calls for more robust suitability checks. Digital broking platforms, in particular, may require layered assessments and clearer controls to guide investor decisions through product displays and prompts.
3. **Clearer accountability across the investor journey:** For investors, the ecosystem functions as a single experience, even though multiple intermediaries are involved. A more consolidated accountability structure for complaint handling in digital channels could reduce friction and strengthen trust.
4. **Oversight of algorithms and AI-driven engagement:** As digital platforms increasingly rely on algorithms for recommendations and engagement, governance must keep pace. Transparency, auditability, and management of potential conflicts—particularly where commercial incentives shape investor exposure—will become increasingly important.

Fraud is increasingly shifting towards direct targeting of investors. Protection will require more proactive measures, such as real-time alerts, anomaly detection, cooling-off mechanisms, and stronger coordination among platforms, brokers, AMCs, and payment providers.

Safeguarding measures such as developing the industry’s resilience, protecting customers, strengthening cyber security systems, and enhancing adherence to regulatory compliance are more than just lines of defense, they are the building blocks for the next stage of financial distribution in India. Scale cannot endure without trust and access has little value without accountability. The real challenge now is turning these principles into a future-ready structure, one that moves away from fragmented, product-by-product channels towards integrated distribution models focused on long-term outcomes for investors.



Trust, security and compliance

Enablers of scalable financial distribution

Building a trusted ecosystem for capital markets and mutual fund distribution through physical, digital and marketplace intermediaries in India



10+ crores demat accounts






Digital-first distribution



Regulated ecosystem

The trust infrastructure: Three pillars of safe financial distribution

 <p>Trust Protecting investors, ensuring integrity</p>	 <p>Security Building resilient digital infrastructure</p>	 <p>Compliance Enabling responsible innovation</p>
<p>Customer protection</p> <ul style="list-style-type: none"> SEBI: Risk-o-meter, disclosures, segregation of client assets, mis-selling controls AMFI: TER caps, commission transparency, ARN certification RBI: KYC, AML, grievance redressal 	<p>Evolving threat landscape</p> <ul style="list-style-type: none"> Phishing and account takeover API vulnerabilities and platform attacks Ransomware and data breaches Third-party and vendor risks Geopolitical and infrastructure threats 	<p>Data privacy and the DPDP Act</p> <ul style="list-style-type: none"> Consent-based data processing Purpose limitation and data minimisation User rights (access, correction, erasure) Breach reporting and penalties
<p>Intermediary responsibilities</p> <ul style="list-style-type: none"> Suitability and appropriateness norms Fiduciary duty and conflict disclosures Audit trails and transaction monitoring 	<p>Regulatory framework</p> <ul style="list-style-type: none"> SEBI CSCRF: SOC mandate, incident reporting RBI's guidelines: Vendor risk management NSE/BSE: Real-time surveillance 	<p>Enabling innovation</p> <ul style="list-style-type: none"> e-KYC and digital onboarding UPI and digital payment rails APIs and platform ecosystems Online investing and fractional access
<p>Manufacturers' responsibilities</p> <ul style="list-style-type: none"> Transparent product design and pricing Clear risk disclosures and labelling Accountability for distributor conduct 	<p>Industry measures</p> <ul style="list-style-type: none"> Multi-factor authentication and biometrics Encryption, tokenisation and secure APIs AI/ML for fraud detection Vendor due diligence and audits 	<p>Building access and trust</p> <ul style="list-style-type: none"> Lower entry barriers (SIPs, digital) Standardised processes across channels Tier 2/3 market penetration Mass retail participation
<p>Outcome Higher transparency, informed decisions, and stronger investor confidence</p>	<p>Outcome Resilient systems, protected transactions, and secure investor assets</p>	<p>Outcome Innovation with safeguards, scale with trust</p>

How regulation drives access, innovation and trust

 <p>Digital enablement e-KYC, UPI, APIs enable seamless innovation</p>	 <p>Expanded access Lower barriers, broader reach to Tier 2/3 markets</p>	 <p>Investor confidence Transparency and protection builds long-term trust</p>	 <p>Responsible growth Balanced oversight fosters sustainable innovation</p>
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Way forward



For financial services providers

- Embed security and privacy by design
- Invest in RegTech and automated compliance
- Strengthen real-time monitoring and incident response
- Build customer-centric transparency frameworks



For distributors

- Transition from transaction-led to advice-led models
- Activate underpenetrated markets through distributor-led models
- Guide behaviour, not just portfolios
- Reorient success metrics from participation to persistence



In today's dynamic financial landscape, reimagining distribution is not merely about expanding reach; it is about building a strong foundation rooted in scale, trust, and sustainability. As we strive to serve the ever-evolving and diverse customer requirements, it has become essential to leverage innovative technology, data-driven insights, and personalised engagement to create meaningful connections.

Scale allows organisations to democratise access to financial services, ensuring that every individual, regardless of their background or location, can participate in wealth creation and financial growth. However, scale alone is not sufficient; trust remains the cornerstone of every relationship. For organisations, it is imperative to maintain transparency, integrity, and consistent value delivery, thereby fostering loyalty and confidence among customers.

Sustainability from a business perspective has become an integral part of every vision. It calls for responsible practices that promote long-term growth, environmental stewardship, and social impact. By integrating sustainable principles into business strategies, organisations can create an ecosystem that benefits all stakeholders, including clients, employees, communities, and shareholders.

Lastly, I believe that reimagining distribution is a continuous journey, and it requires a blend of innovation, responsibility, and empathy. It requires agility to adapt to changing needs and foresight to shape the future of financial services. Additionally, I believe that by aligning our efforts around scale, trust, and sustainability, we can unlock new opportunities, empower individuals, and contribute to a resilient and inclusive economy, thereby truly powering India.”

– **Dhiraj Relli**
MD and CEO, HDFC Securities



06

A proposed blueprint for the next decade of financial distribution in India

The next phase of financial distribution is not about enhancing infrastructure or launching more products. It is about focusing on the outcomes of households and their financial decisions, who influences those decisions, what incentives shape those interactions, and how accountability is assigned for the outcomes that follow.

The proposed blueprint synthesises seven structural shifts of the ecosystem and examines how they are likely to reshape India's financial distribution landscape over the coming decade. Some of these changes are already underway while others are still emerging. Taken together, they point to an industry moving from product distribution towards a system that increasingly shapes investor behaviour, decision-making, and outcomes.

1. From fragmentation to control layers

Financial distribution is highly fragmented as it is spread across multiple intermediaries, platforms, and product silos. A household may have a loan with a bank, insurance via an agent, mutual funds on a digital platform, and direct equities through a broker—often without viewing these as a single portfolio. Each of these relationships operates in isolation, with no single entity responsible for overall financial outcomes.

This fragmentation is difficult to sustain at scale. The natural direction is consolidation—not necessarily into a single provider, but into a unified interface that provides visibility across products, offers guidance across life stages, and creates accountability from first investment to goal realisation.

Platforms and institutions that can credibly position themselves as the 'control layer' by combining execution, advisory, and behavioural design, stand to capture disproportionate value. Those that remain limited to products or transactions risk may increasingly face commoditisation roles, competing on price.

Consolidation is likely. The question is not whether it occurs, but who leads it: incumbent banks with trust and scale but legacy systems, digital platforms with speed and reach but limited advisory capability, or hybrid models that seamlessly combine technology with human judgement.

2. Advice will become the primary differentiator

Execution has already become a commodity. Brokerage fees are near zero. Direct plans have removed commissions for self-directed investors, and most platforms now appear similar to the average user. What remains scarce, and therefore valuable, is judgement or the ability to help investors decide what to buy, when to stay invested, how to navigate volatility, and whether their portfolio aligns with life goals.

The data supports this. SIP investors who remain invested for more than five years achieve better outcomes than those reacting to short-term movements, yet only 16% of industry mutual fund AUM is held beyond five years.³⁵ The gap reflects behaviour, often shaped by advice—or its absence.

Over the next decade, advisory models are likely to evolve across segments. For affluent and HNI investors, this will involve technology-enabled, high-touch advisory. For less experienced investors, automated behavioural architecture with goal-based nudges, default rebalancing, and embedded friction against poor decisions will play a greater role.

The middle ground—transactional distributors without deep advice or behavioural design—will come under pressure. As commissions compress and expectations rise, scale without engagement may become a liability. The likely end-state is a tiered engagement model: automated for early-stage investors, hybrid for growing complexity, and high-touch advisory for significant wealth and life transitions. This could resolve the long-standing trade-off between scalability and personalisation. As advice becomes central to investor outcomes, the structure through which advice is delivered becomes as important as the advice itself.

Design consideration: Coexistence of distribution and advisory

As India's financial system moves from access led inclusion to outcome led participation, advice is central to how investors engage with markets. This sharpens a core design question for the decade ahead: how advisory and distribution should coexist at the client level while preserving investor protection, transparency, and long term outcomes.

India's regulatory framework draws a deliberate boundary between distribution and investment advisory. Mutual fund distributors are permitted to offer limited, incidental guidance to support scheme selection, while holistic financial planning and investment advice sit within the remit of SEBI registered Investment Advisers. For non individual entities, advisory and distribution activities must be carried out through separate entities or clearly identifiable divisions, with client level segregation at the group level. The intent is clear—to reduce conflicts of interest and reinforce fiduciary discipline.

This separation remains foundational to investor protection. It also introduces friction in the investor journey. Most households—especially in the emerging and mass affluent segments—do not navigate financial decisions in defined stages. They rely on a single, trusted interface for continuity across products, time horizons, and market cycles. As portfolios orient toward long term outcomes, the distinction between incidental guidance and advice is not intuitive from the investor's standpoint.

The way forward is not to weaken the principle of separation, but to improve the usability and transparency of financial advice and align it with how investors actually behave.

Three key factors could shape this evolution.

1. **Client-level clarity and choice:** Every investor interaction clearly establishes whether the relationship is distribution led or advisory led. Disclosures remain simple and prominent. Consent is explicit. Fees, roles, and conflicts are transparent at the point of engagement—not buried in documentation.
2. **Operational segregation with an integrated experience:** Regulatory separation across entities or divisions remains intact. Front end journeys enable intentional, well disclosed, and seamless movement between distribution and advisory, without compromising compliance.
3. **Technology as a neutral layer for advice:** Digital architecture separates advisory logic—goal planning, asset allocation, behavioural nudges—from product economics. Advice scales without blurring regulatory boundaries or embedding conflicts.

Globally, financial services systems indicate that coexistence works when roles are explicit, conflicts are transparent, and pricing reflects the service—commission for execution and fees for advice. The objective for the next decade is not convergence of roles, but coherence of experience.

3. Unit economics will force a reset

The analysis of distribution economics shows a system under strain. Customer acquisition costs are rising while lifetime value remains uncertain due to weak retention. TER compression has reduced the revenue pool, with uneven impact across participants. This is structural. Regulatory pressure on expenses is unlikely to ease. Investor awareness of fees will deepen, and digital platforms will continue to increase price transparency. The sustainable response increasingly lies in improving lifetime value through stronger retention, deeper engagement, and higher share of wallet.

Growth without engagement quality can become a liability. Models that prioritise depth of engagement, even at the cost of slower initial growth, are likely to prove more resilient over time. This also implies a shift in performance metrics—from accounts opened and transactions executed to retention curves, SIP continuity rates, goal-progress attainment, and long-term investor satisfaction. These metrics are harder to influence in the short term but better aligned with investor outcomes.

4. The geography of distribution will be reshaped

India's financial distribution has historically been metro-centric, with the top 30 cities dominating AUM, advisory capacity, and investor sophistication. B30 cities have been served through limited networks and constrained product availability.

The data shows a shift: 55%–60% of new SIP registrations now come from Beyond 30 cities.³⁶ B30 mutual fund AUM share has increased from 10%–15% a decade ago to over 25% today.³⁷ Digital transaction penetration has also surged. However, advisory capacity remains concentrated in metros and Tier-1 cities.

This creates both a challenge and an opportunity. Investors in smaller cities often enter markets with less guidance and lower financial literacy. At the same time, technology enables structured advice at significantly lower cost, allowing early entrants to build durable trust relationships.

The winning models for B30 cities are unlikely to be scaled-down versions of metro advisory practices. They are more likely to be purpose-built: lower-touch but highly structured, vernacular-first, embedded in local networks, and aligned with the specific cash flow patterns, risk perceptions, and life goals of non-metro households.

5. Platform power will be contested

A small number of digital platforms now control the onboarding funnel for a majority of new investors. Though this concentration has delivered clear benefits such as lower costs, improved user experience, and broader geographic reach, it has also created dependencies that are often overlooked during periods of rapid growth. When millions of investors access portfolios, execute trades, and receive recommendations through a limited number of interfaces, the operational and conduct risks of those platforms become systemic.

The regulatory response is still evolving. SEBI's Unified Investor App, the execution-only platform (EOP) framework, and increasing focus on algorithmic governance are early signals. The deeper issue, however, is the balance of power between platforms and the broader ecosystem.

Over the next decade, this tension could lead to three possible outcomes. First, clearer regulatory guardrails around platform conduct, data usage, and algorithmic accountability. Second, a push by manufacturers and independent advisers to diversify distribution channels and reduce platform dependency. Third, the emergence of interoperability standards that allow investors to maintain advisory relationships across platforms without losing continuity or data—an area where the ecosystem has historically struggled.

36 India Brand Equity Foundation (IBEF) article

37 Ibid

6. The tokenisation of Indian financial assets

India has already built robust digital financial infrastructure with UPI, the Account Aggregator framework, and CKYCR stack. The next step in the journey towards digitisation is tokenisation of financial assets, including mutual fund units, bonds, fractional real estate, and, over time, alternative investments recorded on digital ledgers.

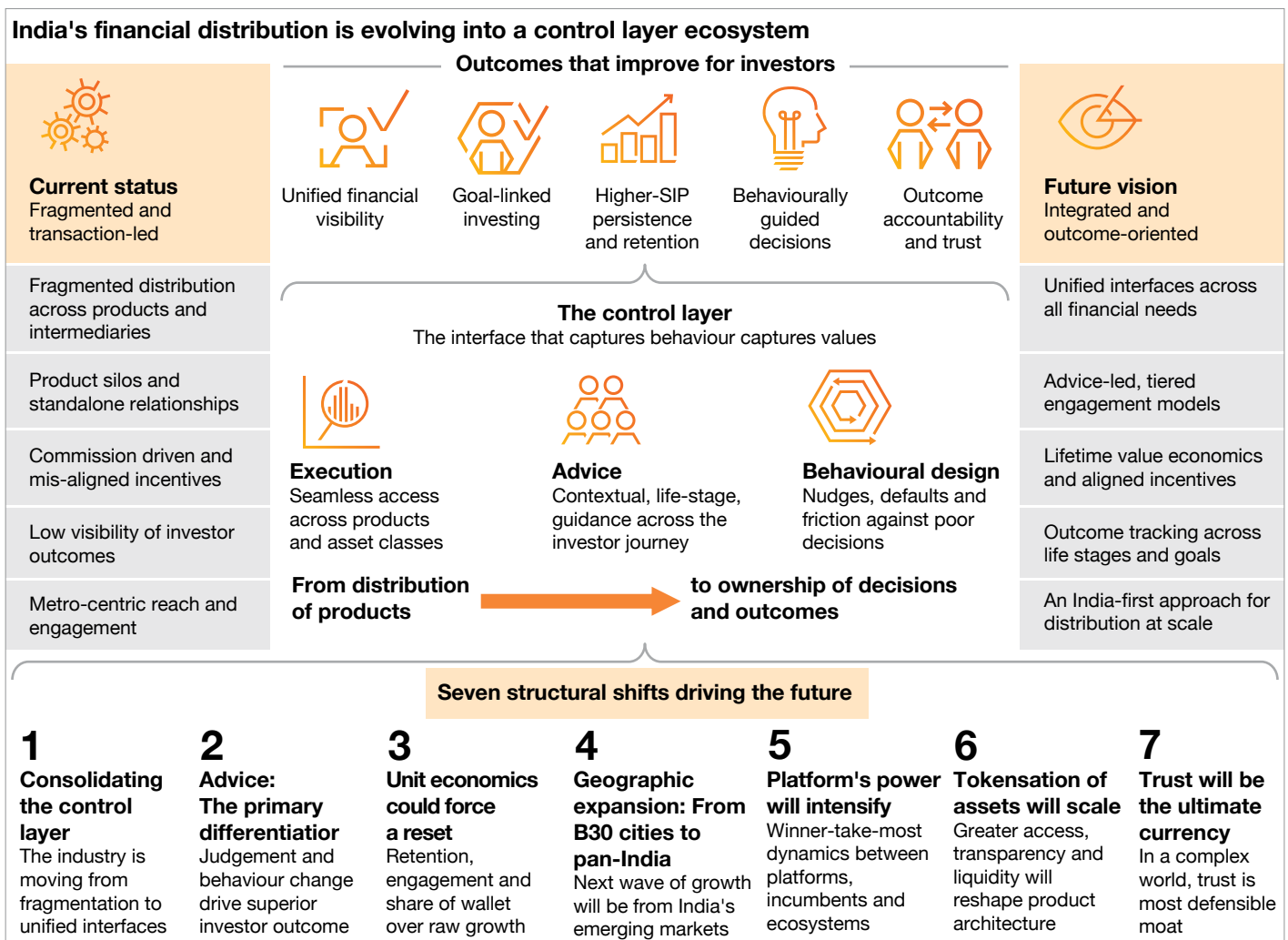
Tokenisation could significantly broaden access to asset classes currently limited to HNIs and institutional investors. For India’s mass-affluent segment, this would expand the investable universe. For distribution platforms, it creates new revenue pools beyond traditional commission structures. The regulatory trajectory is already visible, with recent developments indicating a controlled but deliberate opening. Platforms that build tokenisation-ready infrastructure early—while preserving the trust expected by Indian investors—are likely to capture a disproportionate share of the next wave of wealth creation.

7. Trust will become the hardest currency to earn

As financial access expands and choice multiplies, trust becomes the most scarce and valuable asset. Instances of mis-selling, opacity, or short-termism will have longer-lasting consequences in a market where information travels quickly and switching costs are falling. Institutions that prioritise transparency, consistency, and alignment with client outcomes will accumulate trust gradually and compound it over time. Those that don’t are likely to face greater volatility across market cycles, particularly during downturns.

Conclusion

The seven shifts outlined above converge at a single insight: India’s financial distribution ecosystem is evolving from a fragmented network of product channels into a more consolidated control layer that actively shapes investor decisions, behaviour, and outcomes. The next decade belongs to institutions and platforms that own the interface, influence decisions and are accountable for outcomes across the investor lifecycle.



About FICCI

Established in 1927, FICCI is the largest and the oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policymakers and civil society, FICCI articulates the views and concerns of industry. The organisation serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to more than 2,50,000 companies. FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policymakers, and the international business community.

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