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Strategizing Wealth, Maximizing Opportunities

FII vs DII in India: Two Decades of Power Shift

India is entering a new market era where domestic liquidity drives stability, FIIs influence sentiment, but retail participation shapes the future.

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The FII Era: When Foreign Money Moved India (2000–2010)

In the early 2000s, Foreign Institutional Investors (FIIs) were the driving force behind India's stock markets. Retail participation was negligible. Most households trusted fixed deposits, gold, or real estate for wealth creation.

FIIs decided the market's fate when they bought, markets rallied; when they sold, markets crashed. Sectors like IT, private banks, and energy thrived as FIIs poured in capital.

But this dependence came with a cost.

2008

Global Financial Crisis

FIIs pulled out approximately ₹52,987 Cr in just a few months, outflows were heavy through Jan–Sep 2008, and the balance came in Oct–Dec 2008 during the GFC panic. **Indian markets plunged over 57%.** Recovery took almost 18 months because domestic capital was missing.

FII / FPI Net Equity Purchase (Crore)

Year-wise FPI/FII data (Financial Year, ₹ crore) from FY2000-01 → FY2024-25, plus SEBI-reported Gross Purchases & Gross Sales for the latest FY and FY2025-26 (Apr–Jun).

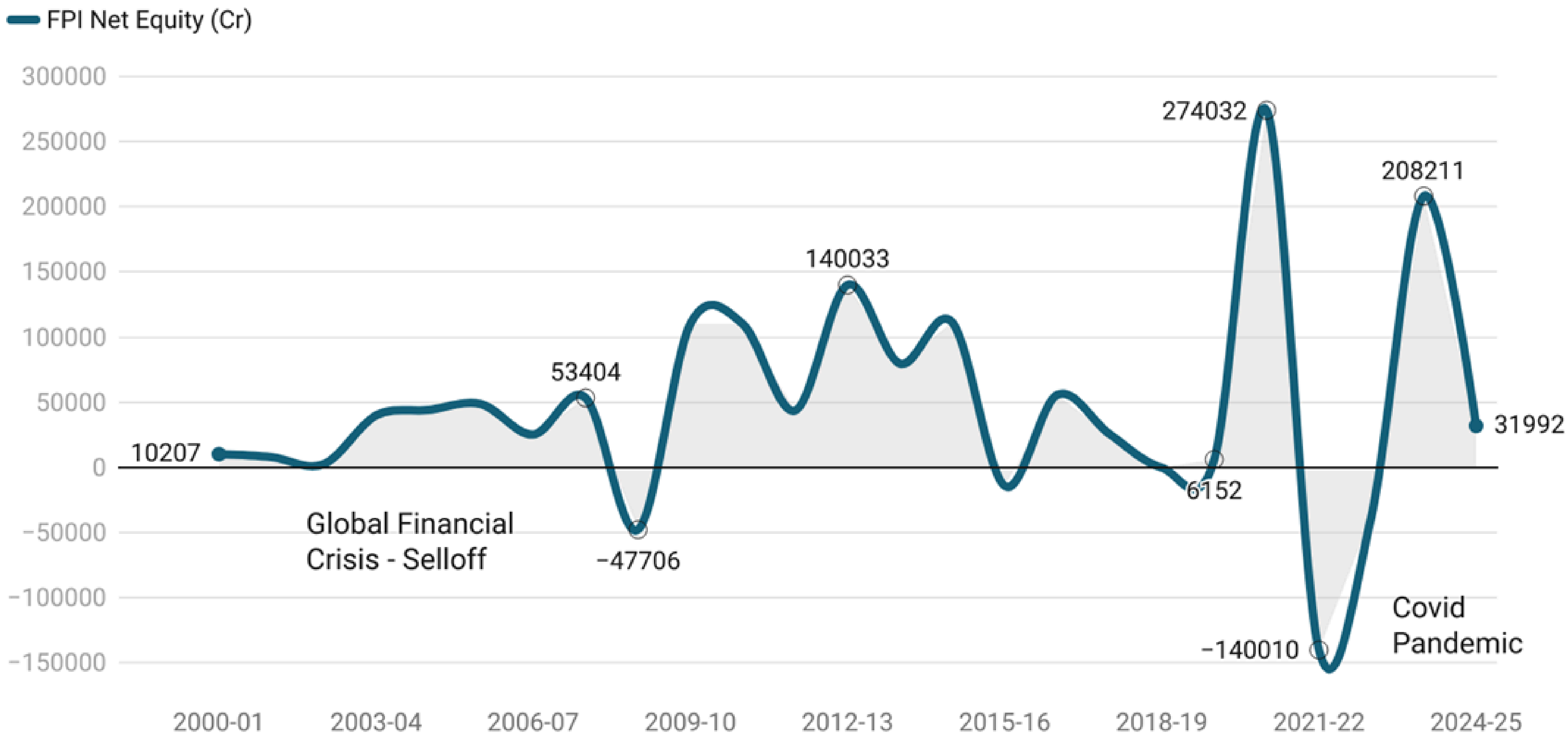

Chart: Armstrong Capital • Source: CDSL • Created with Datawrapper

The Turning Years
(2010–2015):

First, the cracks appeared. Global scares the Eurozone crisis, policy jitters, the 2013 taper tantrum—made FII flows jumpy. India's vulnerability was obvious: when FIIs sneezed, our markets caught a cold.

Then came the reset. **The 2014 elections brought a pro-reform tone.** GST, banking repair, and infrastructure push signaled a long game. Confidence improved.

And quietly, a new investing habit began. Equity mutual funds started to look like a normal thing to do, not speculation. Better distribution and digital platforms helped.

AMFI's "Mutual Funds Sahi Hai" message stuck. SIP inflows went from ~₹3,000 Cr/month in 2015 to ~₹8,500 Cr by 2020. That shift—small sums, every month, from millions of people—was the seed of India's liquidity revolution.

FII & DII Inflows

Cracks, Reset, and a New Habit

DIIs absorbed foreign selling and proved they could stabilize the market. T**oday, DIIs' net inflows routinely exceed FIIs', compressing drawdowns and speeding recoveries**—FIIs may sway sentiment, but DIIs now set the floor.

FII & DII Inflow

Charting 2007- 2024 net flows shows a regime change: FIIs still move headlines, but DIIs and SIPs now anchor the market. The latest print DIIs (+) ₹3.99 lakh Cr vs FIIs (–)₹1.27 lakh Cr - says it all.

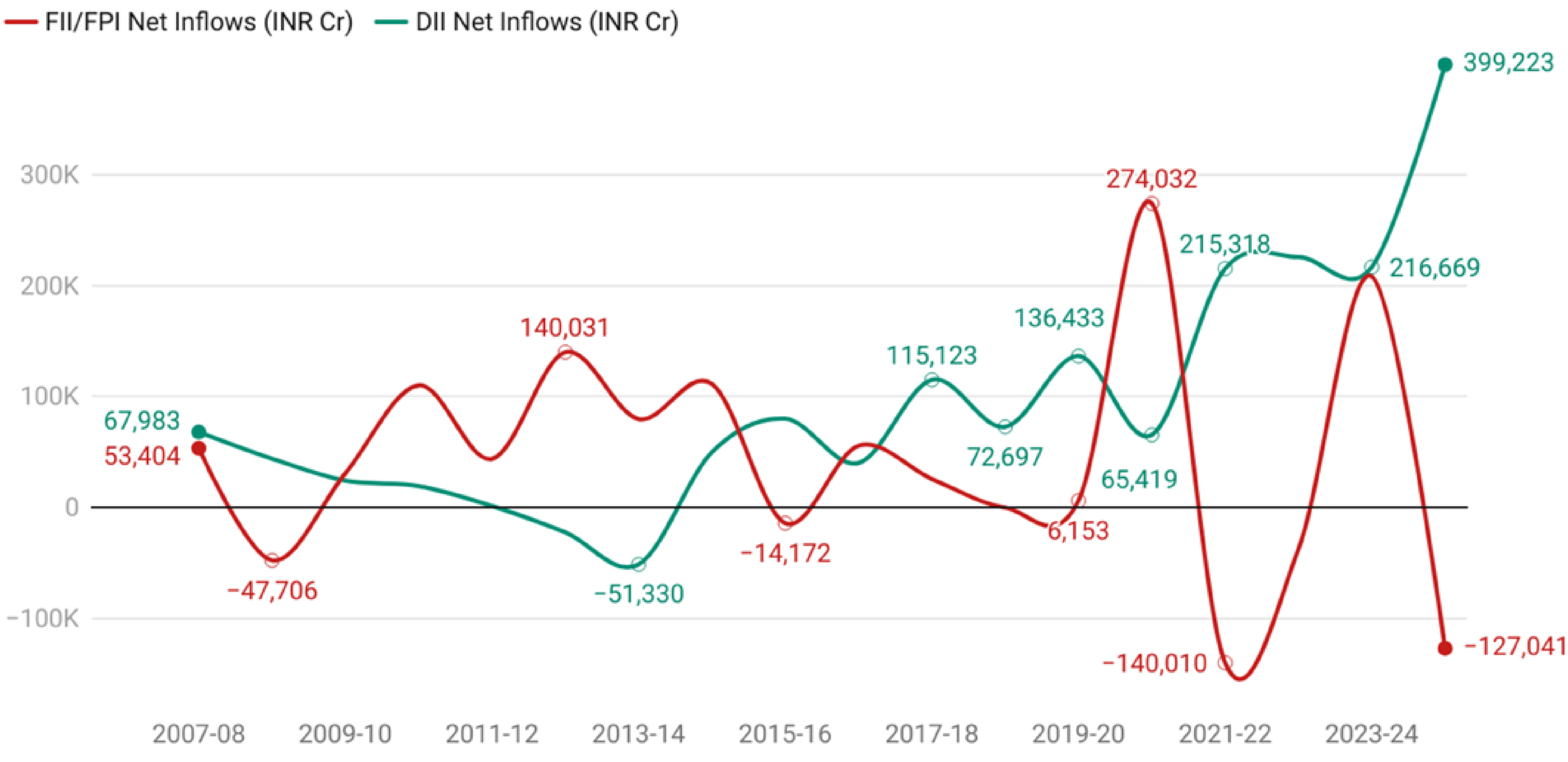

Chart: Armstrong Capital • Source: CDSL,NSE, BSE • Created with Datawrapper

The Liquidity Revolution (2015–2024): India's Own Money Shows Up

From 2015 onward, domestic money didn't just arrive it scaled.

- Mutual funds exploded: **AUM from ~₹10 lakh Cr (2015) to ~₹74 lakh Cr (mid-2025).**

- SIPs soared **(up ~678% over the decade)**, making equity investing automatic and disciplined.

- EPFO/NPS allocations grew; EPFO's corpus rose from ~₹1.5 lakh Cr (2015) to ~₹24.7 lakh Cr (2024).

- Demat accounts jumped from **~2 Cr (2015) to 19 Cr+ (2025)**, with low-cost brokers (Zerodha, Groww, Upstox) opening the gates.

Three things changed because of this:

1. **Depth**: Markets had a steadier stream of buyers.
2. **Behaviour**: Investors started thinking in systems (SIPs), not spurts.
3. **Power**: Domestic money could meet foreign selling with real firepower.

The Stress Test

India passed – Covid Pandemic

Then came the shock no one planned for.

- March 2020: **FIIs sold about ₹1.19 lakh Cr** in a month. In the old world, this would have triggered a long bear market.
- Instead, DIIs stepped in, **absorbing roughly ₹2.72 lakh Cr across the crash period.**

Driver	2015 Value	2023 Value	Latest Available Data	Growth (2015 to 2025)
Monthly SIP Inflows	₹3,100 Cr	₹16,602 Cr	₹24,113 Cr (Early 2025)	(+) 678% increase
EPFO AUM	₹1.5 lakh Cr	₹8 lakh Cr	₹24.75 lakh Cr (2024)	(+) 1550% increase
Insurance AUM	₹1 lakh Cr	₹2.2 lakh Cr	Part of overall mutual fund AUM (~₹74 lakh Cr by mid-2025)	(+) 7400% increase
Demat Accounts	2 crore	13 crore	~19.2 crore (2025)	(+) 860% increase

Two comparisons tell the story: 2008 Vs 2021

	Correction	Recovery	FII Net Flows (Cr)	DII Net Flows (cr)
Global Financial Crisis	~ (-57%)	18 Months	-47706	43952
Covid Pandemic	~(-26%)	6 Months	-140010	215318

India was no longer hostage to foreign capital cycles. Domestic liquidity became the shock absorber.

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