

ENHANCING ACCESS TO FIXED-INCOME SECURITIES: THE IMPACT OF ONLINE BOND PLATFORMS ON RETAIL INVESTORS

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ABSTRACT

The Indian bond market is paving its way into the capital markets by enhancing retail participation. Newer innovations and technology are being introduced to make that possible. One of them is Online Bond Platform Providers (OBPPs). This research examines the role of OBPPs in increasing awareness and accessibility for retail investors in India. These platforms provide authentic information about the listed bonds as well as a SEBI registered page to invest through. The findings indicate that due to regulations and simplified interfaces, the bond market has seen a rise in the retail participation. The OBPPs are playing a crucial role in gaining more investment in the fixed-income market and helping investors diversify their portfolio.

Key Words: Bond market, OBPPs, retail investors.

INTRODUCTION

The bond market in India began during the British rule, when it needed support for railway construction. Traditionally it has been dominated by the institutional investors like banks, insurance companies and mutual funds. It was difficult for retail investors to invest in bonds due to limited accessibility, high ticket sizes and no proper infrastructure. However, due to recent regulatory changes and technological advancements, retail investors can invest in bonds and diversify their portfolio. One such advancement is of Online Bond Platform Providers (OBPPs).

ONLINE BOND PLATFORM PROVIDERS

According to SEBI Regulation 51A, an Online Bond Platform is any electronic system, other than a recognised stock exchange or an electronic book provider platform, on which debt securities that are listed or proposed to be listed are offered and transacted.¹ An OBPP is a person or entity operating or providing an Online Bond Platform. They act as intermediaries between bond issuers and retail investors. OBPPs use technology to simplify the bond investment process, making it efficient for non-institutional participants. Through these platforms, investors can now invest in government securities (G-sec), corporate bonds, PSU bonds, tax-free bonds, non-convertible debentures and fixed deposits. This online ecosystem helps in seamless transactions and provide comprehensive information about variety of bonds. Investors can browse through different bonds, compare them, review their credit ratings, maturities, risk-return profile before taking any investment decisions.

History of OBPPs:

OBPPs started gaining momentum in the past decade in India due to the rise of fintech. It started gaining regulatory shape and visibility around 2020-22. The formal regulatory framework was laid down by SEBI in Nov 2022. Thereafter, SEBI implemented various measures for improving market transparency and strengthening OBPP governance. It also reduced the minimum investment amounts from Rs.10 lakhs to Rs.1000 to make it more accessible. All of this helped retail investors enter the bond market without much hassle. OBPPs have provided accessibility, transparency, convenience and cost efficiency.

Features of OBPPs:

1. Low minimum investment & low cost
2. Disclosure of information
3. Tools
4. AI based recommendations Execution of Trades:

All orders of the listed bond securities have to be routed through the Request for Quote (RFQ) platform of recognised stock exchanges and are settled through respective clearing corporations only.

REVIEW OF LITERATURE

1. Bond market for retail investors in India, 2025 (Shyamala Krishnamurthy, Vanathi Vembar)²

This paper studies the Indian bond market in depth and what it offers to the retail investors. It focuses on the technicalities of bond investment which includes factors like interest rates, inflation and liquidity. The research is backed by statistical data that analyses historical performance and risk-adjusted returns of bond investments.

2. Regulating Online Bond Platforms: One Step Forward or Two Steps Back? 2023 (Sangita Sharma, Prachya J. Bhattacharya)³

This research article studies the regulatory framework provided by SEBI for online bond platforms. It examines the regulatory circular provided for the same. The paper focuses on the irregularities in the initial regulatory framework and recommends SEBI to revisit its policies and improve its structure pertaining to bond platforms.

3. Bridging the gap: Unlocking retail participation in India's bond market, 2025 (Sanskriti Gupta, Keertana Kujur, Ojas Arora)⁴

This paper studies the reasons for low retail participation in the fixed-income securities market. It proposes a model to enhance the participation through better regulations, investor education, tax benefits and other related aspects.

STATEMENT OF THE PROBLEM

This research studies the role of Online Bond Platform Providers (OBPPs) in the bond market and its impact on retail investors in India.

RESEARCH METHODOLOGY

This research is conducted using secondary sources. The information and data are collected from articles and reports published by the Securities and Exchange Board of India (SEBI), registered Online Bond Platform Providers (OBPPs), newspaper articles and other reliable online sources.

Limitation: Reliance on secondary source of data.

RESEARCH OBJECTIVES

1. To study the significance of OBPPs in the bond market.
2. To analyse the impact of OBPPs on retail investors in India.
3. To examine the growth and advancements in the Indian bond market.

ANALYSIS

The Indian capital market is growing at a swift pace. This research shows how the growth is backed not just by the equity market but a substantial contribution from the bond market. India's population provides a higher opportunity for retail participation in the markets. Back in the day, investment on the bond market was not very sought after by retail investors due to challenges and complexities it came with. One of the major hurdles faced was lack of awareness about the fixed income securities market and the instruments available for investment, high ticket size, lack of transparent pricing and lengthy process. With the advancements in technology and rise of platforms like Online Bond Platform Providers (OBPPs), these challenges could be overcome. OBPPs play a dual role by providing authentic information of different categories of listed bonds as well as a SEBI registered platform to invest on. The platforms also simplify access and enhance transparency. The minimum face value that investors can invest in is Rs. 1000 and Rs.100 for government bonds, which has given a major boost to the retail investors. The regulators have announced various reforms to increase the retail participation which led to awareness about different bond instruments and increase in the capacity to invest in the fixed-income market. The rise of OBPPs are fulfilling the need of retail investors for a stable income through fixed-income products in a volatile equity environment. Data reveals a steady rise in retail participation in listed debt securities. This suggests that OBPPs are helping to broaden the financial inclusion in the fixed-income market.

STATISTICAL ANALYSIS

- The size of the Indian bond market is a massive \$2.6 trillion USD with a CAGR of 25% over the past decade.⁵
- During the FY24, investment from retail investors on OBPPs rose 30-40% for the collective amount invested and 60-80% on individual platforms.⁶

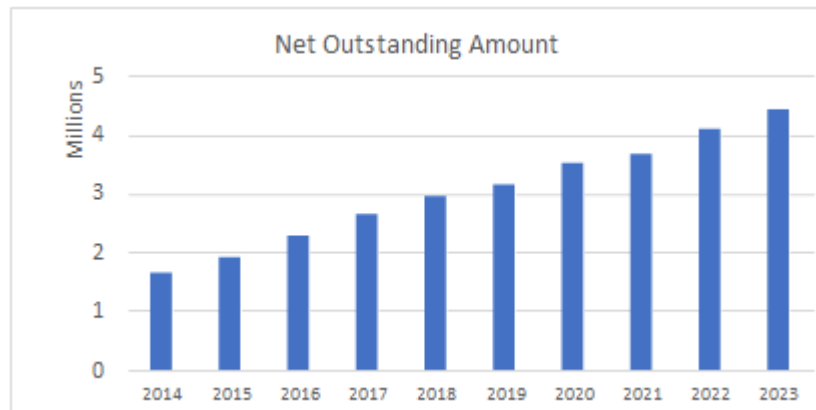


Fig 1: Net outstanding amount of bonds

- Net outstanding amount of government securities (G-secs) and corporate bonds is consistently growing at a stable rate.
- As per SEBI, corporate bonds outstanding in 2014 were Rs 16.49 lakh crore, which increased to Rs 44.16 lakh crore in 2023. Similarly, government borrowings through G-Secs, which stood at Rs 5.79 lakh crore in 2014, climbed to Rs 15.43 lakh crore in FY24 .⁷



Fig 2: Volume of retail investors

- The data provided indicates that retail participation is increasing in each financial year. It has seen a significant change in the FY22.
- The number of investors has grown from 901 in FY21 to 29,971 in FY23.⁸
- The total number of clients registered on OBPP platforms has increased from 3.5 lakh in FY24 to 5.6 lakh in FY25.⁹

CONCLUSION

With SEBI's regulations, the OBPPs have brought a boost in the Indian bond market. Retail investors with limited knowledge and resources have gained wider access to the bond market due to the online bond platforms. They have simplified the investment process and helped the investors create a diversified portfolio. The investors are understanding and gaining confidence with how the OBPPs work. In the course of time, due to more awareness, more investments are expected.

Platforms may introduce more structured fixed-income products to create diversity. Continued advancements in fintech will make bond investments more efficient and transparent. Hence, OBPPs are the future of the bond market.

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