**Introduction**

A well functioning financial sector facilitates efficient intermediation of financial resources in economy. More efficient the financial sector for generating financial resources and its allocation greater is its contribution to the economic growth. In 1991, after the NarsimahRao government took over, there was spurt in economy activity and decisions were taken to boost the economic growth. To encourage reforms, there was demand of regulated markets and financial resources by corporates as well as by the Government. Apart from raising requisite funds from the foreign markets, there was also need of raising funds from domestic sources.

Governments recognized that there was a need of providing at the appropriate environment, a regulated market, new investments opportunities, diversified financial products and so on as to raise long term capital requirements from Institutional investors as well as from retail investors. In 1992 to regulate the capital markets the Controller of Capital issues (CCI) was replaced Securities board of Exchange of India (SEBI).

In the last three decades, the number of investment options for retail investors have increased many fold along with the risk associated with them. Aggressive participation by individual investors in capital markets both directly and indirectly has been observed. Direct participation means the investing in primary markets (new issues) and secondary markets and indirect investment means net investments through mutual funds in capital markets.

It is observed that with the increase in the volume and participation of transactions from retail investors in the capital markets that the retail investors are financially literate understands diversified products and relative risk associated with it. Retail investors are financially literate with basic understanding of economy, banking and finance that in turn affect their returns and the risk associated with their investments in capital markets.

Traditionally, there were few simple investment opportunities were available for investments like fixed deposits, national savings certificates, life insurance policies etc. Over the period of time options for investment by retail investors has increased with more regulated financial markets and increased financial literacy.