

7 in 10 intraday traders lost money in FY23.

Investing is a different game

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Maxim: *Trading and investing are different games.* — Rakesh Jhunjhunwala, in substance

The same screen, the same stocks and the same buy button serve two completely different activities. Most of the damage happens when people play one while believing they are playing the other.

The most expensive confusion in the market is not between good stocks and bad ones. It is between trading and investing.

Rakesh Jhunjhunwala understood the difference better than most, because he did both. He started out as a trader in the 1980s, when the Sensex stood at about 150, and over the following decades became the investor that promoters sought out, as Outlook Business's Malini Bhupta [described in a 2018 profile](#). Trading, she wrote, remained close to his heart. His stated ambition was double: "I want to be known as a good stock picker and a good trader."

Note the "and." He did not treat them as one skill. His long-term investments were built on businesses, promoters and the valuations at which he bought; "it is more important at what valuation we buy," he said. His trading was a separate activity with its own rules. By the time of that profile, his biggest multibaggers were long-held stakes, many of them in unlisted companies, and they had steadily reduced the share of his wealth that came from trading. The great trader's fortune, in the end, was mostly made by holding.

Two sets of rules

The difference is not about how long you hold a stock. It is about what you are betting on.

An investor is betting on a business: that its earnings will grow and that, over years, the share price will follow. Price falls are tolerable, sometimes welcome, as long as the business is intact. A trader is betting on price itself, over days or weeks, and the business barely matters. For a trader, a falling price is the signal that the bet is wrong.

That is why the rules point in opposite directions. Vijay Kedia, who also began as a trader, put the trader's first rule bluntly in a [2012 Business Standard interview](#): "The one and only precondition for trading in stocks is to cut losses." He called trading "the hardest way of making easiest money." An investor who followed that rule would sell every good company the first time it dipped. A trader who followed the investor's rule, holding through the decline, would turn a small, planned loss into a large, unplanned one.

The trouble starts when the rules get mixed. A trade goes wrong and becomes an "investment" so the loss need not be booked. Or an investment rises quickly and is sold like a trade, cutting short the compounding that was the whole point.

What the regulator found

India now has millions of people trying the trading game. Sebi's study of the equity cash market, [reported by Business Standard](#) in July 2024, found that the number of individual intraday traders at the top ten brokers rose more than fourfold, from 1.5 million in 2018–19 to 6.9 million in 2022–23. Over 70% of them lost money in 2022–23. Among traders under 30, whose share of the total rose from 18% to 48% over those years, 76% lost money. Among the most active, those making more than 500 trades a year, 80% did.

The pattern is consistent: the more people treated the market as a place for frequent action, the worse they did. Trading is a legitimate profession for a few, with its own skills, tools and discipline. For most people who drift into it, it is not a faster version of investing. It is a different game, with a much harder scoreboard.

Choosing your game

The practical answer is not to ban trading but to separate it. If you want to trade, decide in advance how much money you are willing to treat as a trading account, keep it in a separate account, and accept that it may be lost. Apply trading rules to it strictly: a planned exit before every entry, losses cut without argument. Everything else is investment money, and it lives by investment rules: buy businesses or diversified funds you understand, hold through price falls while the business is intact, and judge results over years.

The two pools should never mix. A losing trade does not move into the long-term portfolio. A long-term holding does not get sold because it had a quick run. And the size of the trading pool should be small enough that losing it would not change your life, which, on Sebi's numbers, is what happens to most of them.

If you do one thing: For every stock you hold, write T or I beside it: trade or investment. For each T, write the price at which you will exit if you are wrong. For each I, write the business reason you own it. Any holding you cannot label honestly is a decision you have not yet made.

Jhunjhunwala could be a trader and an investor because he knew, at every moment, which hat he was wearing. Most market losses come from people who do not. Pick your game, learn its rules, and do not let one game's losses become the other game's excuses.

Sources

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