

# Retail investors prefer UPI route to join the IPO frenzy

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**U**nified Payment Interface (UPI) is emerging as the favourite mode of payment for small investors flocking to initial public offerings, comprising 42% of all retail applications in IPOs in June. However, payment failures continue to frustrate users on UPI, two years since the payment system was opened to IPO applications.

According to data from the National Payments Corp. Of India (NPCI), which created UPI, 1.9 million retail investors applied for IPOs through UPI in June of the total 4.7 million retail IPO applicants during the month as calculated by Prime Database. Retail investors are those with share purchase applications of up to ₹2 lakh, which is also the upper limit for UPI transactions in IPOs.

“The present volumes show

## Payment mode

1.9 million retail investors applied for IPOs via UPI in June of the total 4.7 million retail IPO applicants. A look at the break-up:

Bank	Total volume	Transaction approved (in %)
State Bank Of India	486,555	84.6
HDFC Bank	307,185	90.4
ICICI Bank	216,456	92.2
Bank of Baroda	173,853	82.3
Axis Bank	121,395	88.7
Punjab National Bank	117,727	43.5
Bank of India	74,305	86.9
Kotak Mahindra Bank	72,811	92.2
Union Bank of India	61,710	86.0
Canara Bank	41,120	81.2

Note: No. of transactions where the customer has successfully set aside an amount for an IPO application.

Source: NPCI

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investors are gradually getting the hang of using UPI for IPO applications, and that one might see it double in three to four years. As the percentage of younger investors increases, such new methods of investing will pick up,” said Mihir Gandhi, partner and leader (payments transformation) at PwC.

Adding some extra features to UPI apps and the application process could increase the use of this payment mode, Gandhi

said. For instance, if the number of clicks to file an application can be reduced without compromising on security, customers may find it more useful.

Among IPOs in June, Shyam Metalics and Energy (₹909 crore) received the highest retail subscription (10 times), followed by Dodla Dairy (9.7 times), India Pesticides (9.66 times), Krishna Institute of Medical Sciences

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# Investors tap UPI to enter IPOs

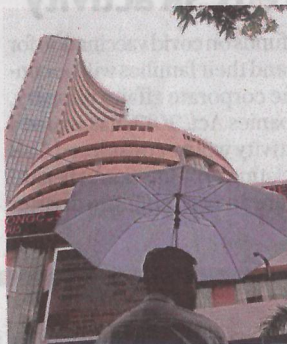
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(2.13 times) and Sona BLW Precision also known as Sona Comstar (1.21 times).

Concerns, however, remain, given that some public sector and cooperative banks have seen significant transaction failures. The most failures were seen in UPI transactions over Indian Overseas Bank and Punjab National Bank in June, NPCI data showed.

“Although UPI is considered a safe and quick payment method, there are some apprehensions. Firstly, the high rejection while using UPI as a payment solution: 28% of applications made by retail investors in Zomato’s initial public offering (IPO) through the UPI route were rejected. In comparison, only 5% of non-UPI retail applications—those coming from bank-backed brokerages—were rejected,” said Jill Deviprasad, partner, investor relations practice, EY India.

Zomato’s widely-awaited ₹9,375 crore IPO in July was subscribed 40.38 times, with the retail investor portion at



Despite steep valuations, investor participation in IPOs has soared, thanks to plentiful liquidity. MINT

7.87 times.

Rejection, Deviprasad said, was largely due to technical issues at the applicant’s end, such as multiple entries, name and permanent account number (PAN) mismatch.

She added that many retail investors are losing faith in UPI due to fraudulent activities, leading to digital thefts in several investor accounts.

“There have also been cases where banks have blocked multiple amounts for the same UPI application or blocked an amount higher than the appli-

cation amount. Glitches like these need to be ironed out,” she said.

Despite steep valuations, investor participation in IPOs has soared, thanks to plentiful liquidity.

Indian companies raised ₹27,417 crore through IPOs in the first six months of 2021, the most in at least a decade for the same comparative period. A total of ₹5,509 crore and ₹23,452 crore were raised through public listings in the first half of 2019 and 2018, respectively.

Experts said banks and brokerages need to invest in technological upgrades to have more investors use the UPI route.

“See, UPI can handle billions of transactions, as is evident from the present volumes seen in payments. However, an all-round investment in IT infrastructure and digital processes would help. That would ensure that users have a hassle-free experience, making the process smoother and without glitches,” a fintech expert said on condition of anonymity.