

Higher UPI limit may not aid retail IPO investors instantly

Even if the limit is hiked to ₹5 lakh, investments over ₹2 lakh would not be classified as retail

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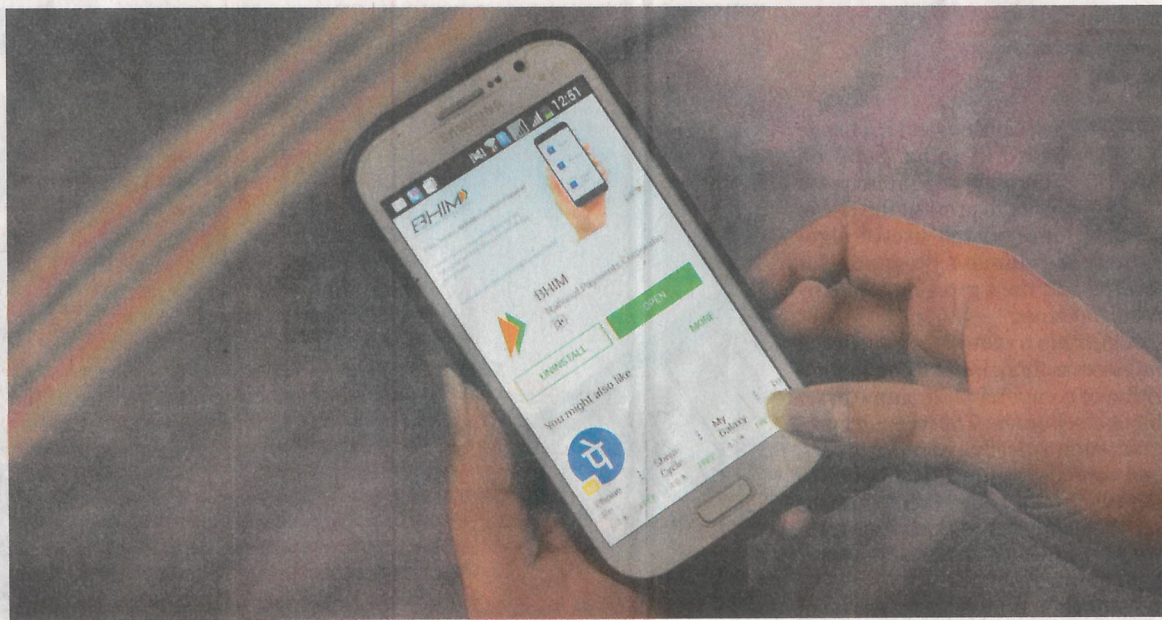
The central bank's decision to increase the ceiling on using the Unified Payments Interface (UPI) system for subscribing to initial public offerings (IPOs) would not immediately boost retail investors' participation, experts said.

The reason behind it is that retail investors, by definition, are those with share purchase applications of up to ₹2 lakh and, therefore, even if the UPI limit is hiked to ₹5 lakh, this category of investors cannot put in more.

The current upper limit for UPI transactions in IPOs was raised from ₹1 lakh in March last year to ₹2 lakh.

On Wednesday, the Reserve Bank of India (RBI) proposed further enhancing the transaction limit on UPI payments for the retail direct scheme and IPO applications to ₹5 lakh. Over time, UPI has also become a popular payment option for IPOs since its availability from 1 January 2019, according to the central bank. IPO applications of ₹2 lakh to ₹5 lakh constitute approximately 10% of subscription applications, it said. The limit for fund transfers through the immediate payment service (IMPS) was recently hiked

to ₹5 lakh, and as UPI also uses IMPS infrastructure in the backend, it was a logical shift, experts said. "More than the retail category of investors, the high-net-worth individual (HNI) segment will get a boost if RBI increases the UPI limit to ₹5 lakh," said Pranav Haldea, managing director of Prime Database group, a database dedicated to the primary capital market. As the capital market has rapidly expanded in the last few years, the appetite for IPOs among retail investors and HNIs has increased manifold, which is evident in the subscription data of issues



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this year, Haldea said. "This shall also help the new, proposed category of investors who invest between ₹2 lakh to ₹10 lakh in an IPO," Haldea said.

More than 7.6 million IPO applications were submitted by retail investors through UPI in November, according to data from the National Payments Corp. Of

executive at fintech platform FidyPay.

According to Dixit, the idea behind the limit hike is to increase the volume of UPI transactions. "In India, there is an IPO boom both for startups and corporates. To keep this momentum going, it is a natural progression that more and more people would be able to transact on

transaction volumes. "This limit increase will definitely increase the UPI volumes as it will attract HNI customers not only in IPOs, but also in Retail Direct Scheme. RBI has already enabled the portal of the Retail Direct Scheme for UPI, so with this limit increase, the investors would be attracted to use UPI as the preferred model of the transfer due to its convenience and ease," said Dipesh Doshi, managing director (financial services) at consulting firm Protiviti India.

Fundraising through IPOs hit a record high in 2021, driven by abundant liquidity with robust retail and HNI investors participation. A total of 51 companies have made stock markets debut this year, which have combined raised a sum of ₹1,03,169.36 crore, while Paytm (₹18,300 crore) issue was the biggest ever in capital markets.

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LONG-TERM GOAL

RBI proposed raising the limit on UPI payments for retail direct scheme, IPO applications to ₹5L

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EXPERTS say it might not benefit now, but definitely has a long-term benefit for the entire ecosystem

India (NPCI), which created UPI. "Since the limit has not been increased for IPO application for small investors, it might not benefit now, but definitely has a long-term benefit for the entire ecosystem," said Manan Dixit, co-founder and chief

platforms like UPI and reach far-flung corners of India without the hassles of figuring out what internet banking and digital banking are all about," Dixit said.

Experts also pointed out how this would lead to the overall growth of UPI