Enhancing the investment limit for retail investors in IPOs - An assessment

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Abstract

The market for initial public offerings is significant in view of the fact that it not only provides access to capital to corporate for their growing needs, but also has the potential to deepen the market with wider Retail participation. Among the different categories of investors participating in an IPO, retail investor's participation has been a substance of much debate for policy makers and market intermediaries and Issuers alike with greater retail participation symbolizing buoyancy and revival of the primary market and dwindling retail participation suggesting lack of investor confidence. Arising out its core objectives of protection investors while regulating and developing the Capital market, SEBI has brought in a host of reforms in the public issue process to revive the interest of retail investors. One such reform has been increasing the investment limit for retail investors. Against this backdrop, the paper studies average size of retail application in the retail investor category in the 263 IPOs that have floated during the period 2007-13. The data relating to IPOs has been accessed from the Prime Database, a comprehensive database on the primary market.

Key words: IPO, Retail Investor, participation, reforms, SEBI