STREAMLINING IPO APPLICATIONS THROUGH UPI-ASBA INTEGRATION: BALANCING EFFICIENCY GAINS AND OPERATIONAL RISKS IN INDIA'S CAPITAL MARKETS

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ABSTRACT

The way retail investors pay for shares in an Initial Public Offering (IPO) has changed significantly over the past decade. Under the older Applications Supported by Blocked Amount (ASBA) framework, investors submitted physical or online forms and relied on banks to manually block the requisite funds in their accounts, a process prone to delay and error. Beginning in 2018, the Securities and Exchange Board of India (SEBI) introduced the Unified Payments Interface (UPI) as an additional, and eventually mandatory, payment mechanism within the ASBA framework for retail individual investors, aiming to increase efficiency and eliminate the need for manual intervention at various stages of the application process. This reform was subsequently paired with a sharp reduction in the post-issue listing timeline, from T+6 days to T+3 days, with the revised timeline made voluntary from September 2023 and mandatory for all issues opening on or after December 1, 2023. Together, these changes have transformed the retail IPO application process into a real-time, app-based experience.

This paper examines whether the integration of UPI into the ASBA mechanism has genuinely improved efficiency and investor protection in IPO applications, or whether it has introduced new operational and technological risks that retail investors are not fully equipped to navigate. It traces the regulatory evolution of the UPI-ASBA framework, explains the mechanics of the current mandate-based application process, and evaluates the benefits of speed, transparency, and reduced manual intervention against risks such as mandate approval failures during high-demand IPOs, dependence on UPI app and bank server capacity, and the exclusion of investors without adequate digital access. The paper concludes with an assessment of whether SEBI's existing safeguards are adequate and offers recommendations for strengthening the framework going forward.

Keywords - UPI-ASBA Mechanism, IPO Application Process, SEBI Circulars, Retail Investor Protection, Digital Payment Infrastructure.

Introduction –

Applying for shares in an Initial Public Offering (IPO) used to be a slow and paper-heavy affair. An investor filled out a bid-cum-application form, handed it to a broker or bank, and then waited, often for days, while that bank manually blocked the money in their account and reported it to the stock exchange. Delays, form errors, and mismatched details were common, and investors frequently had no way of knowing, in real time, whether their application had actually gone through.[1]

The Securities and Exchange Board of India (SEBI) had already taken a first step toward fixing this in 2016, when it made the Applications Supported by Blocked Amount (ASBA) facility mandatory for all retail investors applying in public issues. Under ASBA, an investor's money is simply blocked in their own bank account until shares are allotted, it is never actually debited unless allotment occurs, and no separate refund process is needed.[2] But blocking funds under ASBA still depended on banks physically or electronically processing each application, which remained slow and inconsistent across banks.

The real shift came in November 2018, when SEBI introduced the Unified Payments Interface (UPI) as an additional payment mechanism within the ASBA framework, specifically for retail individual investors applying through intermediaries such as brokers.[3] Under this system, once an investor places a bid through a broker's app or website, a payment request, called a UPI mandate, is sent directly to the investor's UPI app. The investor simply approves the mandate, the requisite amount is blocked instantly in their bank account, and the process is completed without any manual paperwork.[4] What began as an optional channel in Phase I of the rollout became the sole mode of application for retail investors applying through intermediaries from July 1, 2019 onward, in Phase II.[5]

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[1]General description of the pre-ASBA/pre-UPI application process, offered for context.

[2]SEBI, Application Supported by Blocked Amount (ASBA) Procedure, NSE India (describing the ASBA process, under which SCSBs block funds to the extent of the bid amount and unblock the balance once the basis of allotment is finalised); SEBI Circular No. CIR/CFD/POLICY CELL/11/2015 dated November 10, 2015.

[3]SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 (introducing UPI as a payment mechanism with ASBA for applications in public issues by retail individual investors through intermediaries).

[4]Id. (describing the UPI mandate process); see also Lawinsider, "UPI Mechanism" definition (describing the UPI Mechanism as the bidding mechanism used by a UPI Bidder to make an ASBA Bid in accordance with SEBI's UPI Circulars).

[5]SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019 (bringing Phase II into effect from July 1, 2019, under which the earlier process of physical movement of forms to SCSBs was discontinued for such applications).

This digitisation of the payment process was accompanied by an equally significant reform on the timeline side. Where earlier the entire process, from issue closure to actual listing on the stock exchange, took up to six working days (T+6), SEBI announced in August 2023 that this would be compressed to just three working days (T+3).[6] The revised timeline was made voluntary for issues opening on or after September 1, 2023, and mandatory for all public issues opening on or after December 1, 2023.[7] SEBI's then-Chairperson described the move as a "global first," crediting the UPI-based mandate system for making such a rapid listing timeline achievable at all.[8]

Taken together, these two reforms have transformed what was once a multi-day, paperwork-driven process into something closer to a same-day banking transaction. This paper asks whether that transformation has actually delivered on its promise. Specifically: has the integration of UPI into the ASBA framework for IPO applications improved efficiency and investor protection, or has it introduced new operational risks that retail investors are not fully equipped to handle?

The paper proceeds as follows. Part II lays out the regulatory framework governing the UPI-ASBA mechanism and the reduced listing timeline. Part III examines why SEBI made this shift in the first place. Part IV discusses the benefits the reform has delivered. Part V turns to the operational risks and challenges that have emerged in practice. Part VI analyses whether the reform strikes the right balance between efficiency and investor protection. Part VII offers recommendations, and Part VIII concludes.

Regulatory Framework

Understanding why the UPI-ASBA reform matters requires first understanding the mechanics of the framework it modified, and the sequence of circulars through which SEBI built the current system.

ASBA: The Foundation

The Applications Supported by Blocked Amount (ASBA) facility requires an investor to apply for shares in a public issue through their own bank account, without any money actually leaving

[6]SEBI Circular No. SEBI/HO/CFD/TPD1/CIR/P/2023/140 dated August 9, 2023 (reducing the timeline for listing of specified securities after closure of a public issue from the existing T+6 days to T+3 days).

[7]Id.; see also NSDL Circular No. NSDL/POLICY/2023/0107 dated August 16, 2023 (setting out revised timelines and indicative sequence of activities for listing on T+3 day).

[8]LiveLaw, "SEBI Reduces IPO Listing Timeline To T+3 Days" (Aug. 12, 2023) (reporting the then-SEBI Chairperson's description of the T+3 timeline as a "global first").

that account at the time of application. The bank, technically termed a Self-Certified Syndicate Bank (SCSB), simply blocks the bid amount, verifies the application, and uploads the details to the stock exchange's bidding system. Once the basis of allotment is finalised, the bank either debits the blocked amount for allotted shares or releases the block entirely for shares not allotted.[9] SEBI made ASBA the sole permissible payment mechanism for public issues with effect from January 1, 2016, at the same time shortening the listing timeline from twelve working days to six working days (T+6).[10]

Introduction of UPI as a Payment Mechanism

Even under ASBA, however, retail investors applying through intermediaries, brokers, registered stock brokers, and depository participants, as opposed to applying directly through their bank, still relied on a chain of physical or electronic form movement between the intermediary and the SCSB. SEBI's circular of November 1, 2018 introduced UPI as an additional mode of payment specifically to address this gap.[11] The rollout was structured in two phases: Phase I, operational from January 1, 2019, allowed UPI as one among several available channels for retail individual investors applying through intermediaries, while the existing T+6 listing timeline continued.[12] Phase II, which took effect from July 1, 2019, made UPI the sole permissible channel for such applications, discontinuing the earlier process of physical movement of forms between intermediaries and SCSBs.[13]

How the UPI Mechanism Works in Practice

Under the current framework, an investor applying for an IPO through a broker's app or website enters their UPI ID at the time of bidding. This triggers a mandate request sent to the investor's UPI application, such as their bank's app or a third-party UPI app. The investor must approve this mandate within a specified window, at which point the bid amount is blocked in their bank

[9]NSE India, Application Supported by Blocked Amount (ASBA) Procedure (describing SCSBs' role in blocking and unblocking funds based on the finalised basis of allotment).

[10]SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, ¶ 1 (recording that the timeline from issue closure to listing was shortened from 12 working days to 6 working days with effect from January 1, 2016, making ASBA the sole payment mechanism in public issues).

[11]Id. ¶ 2 (introducing UPI as a payment mechanism with ASBA for applications by retail individual investors through intermediaries).

[12]Id. (describing Phase I of the rollout).

[13]TaxGuru, "Use of Unified Payments Interface (UPI) with ASBA – Reg." (noting that Phase II of the November 2018 circular became effective from July 1, 2019, discontinuing the earlier process of physical form movement to SCSBs for such applications).

account.[14] SCSBs and UPI apps are required to send SMS alerts to investors at each stage, mandate block and unblock, so that the investor has a running, real-time record of their application status.[15]

Streamlining Circulars and Investor Grievance Redressal

Following the initial rollout, SEBI issued a series of further circulars, in March 2021 and again in June 2021, aimed at streamlining the UPI-ASBA process and strengthening investor grievance redressal.[16] These circulars, among other things, required SCSBs to designate specific nodal officers responsible for UPI-related IPO applications and to report their details to SEBI, so that processing failures could be traced and resolved efficiently.[17] A compensation mechanism was also introduced: where unblocking of application amounts is delayed beyond the prescribed timeline, SCSBs are liable to compensate investors, and may additionally face regulatory action for non-compliance.[18]

The T+3 Listing Timeline

The most recent structural change came via SEBI's circular of August 9, 2023, which reduced the timeline for listing shares after the closure of a public issue from T+6 days to T+3 days.[19] Under this compressed schedule, application submission, bid modification, validation of bid details with depositories, reconciliation of UPI mandate transactions, and issue closure must all occur on the issue closing date (T day) itself; third-party checks on UPI and non-UPI applications, finalisation of rejections, and approval of the basis of allotment by the stock exchange must be completed by T+1; and trading commences on T+3.[20] The revised timeline was voluntary for issues opening on or after September 1, 2023, and became mandatory for all

[14]Lawinsider, "UPI Mechanism" definition (describing the UPI Mechanism as the bidding mechanism used by a UPI Bidder to make an ASBA Bid in accordance with SEBI's UPI Circulars).

[15]Business Standard, "Sebi streamlines payment process through UPI for IPO allotment" (Apr. 20, 2022) (noting the requirement that SCSBs/UPI apps send SMS alerts to investors at each stage of the ASBA application).

[16]SEBI Circulars dated March 16, 2021 and June 2, 2021, "Streamlining the process of IPOs with UPI in ASBA and redressal of investors grievances."

[17]TeamLease RegTech, "SEBI has issued a circular for streamlining the process of IPO's with UPI in ASBA and redressal of investor grievances" (noting the requirement for SCSBs to identify and report nodal officers for UPI-related IPO applications).

[18]Business Standard, supra note 15 (noting that SCSBs are liable to compensate investors for delays in unblocking application amounts, and may face action under securities laws for non-compliance).

[19]SEBI Circular No. SEBI/HO/CFD/TPD1/CIR/P/2023/140 dated August 9, 2023.

[20]Business Standard, "Sebi reduces timeline for listing shares to T+3 from T+6 from December 1" (Aug. 9, 2023) (describing the sequence of activities to be completed on T day, T+1 day, and T+3 day under the revised framework).

public issues opening on or after December 1, 2023.[21] SEBI explicitly credited the maturity of the UPI-based mandate system as what made a timeline this compressed feasible at all, without a real-time, app-based blocking mechanism, compressing the process to three days would not have been operationally possible.[22]

Why SEBI Made the Shift

Having set out how the UPI-ASBA framework operates, it is worth pausing to examine why SEBI considered this shift necessary in the first place. The reform did not emerge in a vacuum, it responded to specific, identifiable problems in the pre-UPI regime, and was driven by SEBI's broader, long-running effort to modernise the public issue process.

Problems with the Pre-UPI Regime

Even after ASBA became mandatory in 2016, the actual mechanics of applying through an intermediary remained cumbersome. An investor's bid details had to move from the intermediary to the relevant SCSB, which would then verify the application and block the funds, a chain that, in SEBI's own words, involved "manual intervention at various stages."[23] Each handoff in this chain created room for delay, mismatched or incomplete bank details, and inconsistent processing standards across the numerous SCSBs handling applications. Because blocking and verification depended on individual banks' internal processing capacity and speed, an investor's experience could vary significantly depending on which bank they held their account with, an inconsistency that sat uneasily with SEBI's goal of a uniform, predictable process for all retail applicants.[24]

What UPI Was Expected to Solve

SEBI framed the introduction of UPI explicitly as a solution to this manual-intervention problem. In its own words, the proposed UPI-based process was intended to "increase efficiency, eliminate the need for manual intervention at various stages," and support a compressed listing timeline.[25] By replacing the multi-step chain of form movement between

[21]Id.; NSDL Circular No. NSDL/POLICY/2023/0107 dated August 16, 2023.

[22]LiveLaw, "SEBI Reduces IPO Listing Timeline To T+3 Days" (Aug. 12, 2023).

[23]SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, ¶ 2 (describing the proposed UPI-ASBA process as intended to "increase efficiency, eliminate the need for manual intervention at various stages").

[24]Author's own analytical observation on the consequences of a multi-SCSB, manually-verified processing chain, drawn from the description of the pre-UPI process in the circular cited above.

[25]SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/138, ¶ 2.

intermediaries and banks with a single, investor-approved mandate request, UPI removed several of the weakest links in the process: there was no longer a need for an intermediary to physically or electronically forward an investor's bid details to a separate SCSB for verification, since the investor's own approval of the mandate, done directly through their UPI app, served as both application and confirmation in one step.[26] This also meant that an investor could, for the first time, receive a real-time notification confirming that their money had actually been blocked, rather than waiting to hear back through an intermediary.

Enabling a Shorter Listing Timeline

The efficiency gains from UPI were not an end in themselves, they were also the enabling condition for the second, and arguably more consequential, reform: the reduction of the listing timeline from T+6 to T+3 days.[27] A T+3 timeline requires application validation, UPI mandate reconciliation, and third-party checks to be completed almost immediately after the issue closes, with the basis of allotment finalised within a single working day (T+1).[28] This pace would simply not have been achievable under the older, manual, bank-by-bank verification process. SEBI's Chairperson explicitly linked the two reforms, describing the compressed T+3 timeline as a "global first" made possible precisely because the UPI-based mandate architecture had, by 2023, matured into a reliable, high-volume payment rail capable of supporting same-day verification at scale.[29]

Part of a Broader Digitisation Agenda

Finally, the UPI-ASBA reform reflects a broader pattern in SEBI's regulatory approach over the past decade, a consistent push toward digitising and standardising processes that were previously paper-based or dependent on manual bank intervention, from dematerialisation of securities to electronic voting and online grievance redressal through the SEBI SCORES portal. Viewed in this light, UPI-ASBA integration is not an isolated technological upgrade but one instance of a wider institutional commitment to using digital public infrastructure, in this case, the National Payments Corporation of India's UPI rail, to reduce friction and standardise

[26]Id.; Lawinsider, "UPI Mechanism" definition.

[27]Author's own analytical link between the two reforms, developed from the sequencing of SEBI's circulars discussed in Part II above.

[28]Business Standard, "Sebi reduces timeline for listing shares to T+3 from T+6 from December 1" (Aug. 9, 2023).

[29]LiveLaw, "SEBI Reduces IPO Listing Timeline To T+3 Days" (Aug. 12, 2023).

investor experience across a market with an enormous and rapidly growing base of retail participants.[30]

Benefits of the UPI-ASBA Integration

Having examined the rationale behind the reform, this Part turns to the concrete benefits the UPI-ASBA framework has delivered in practice.

Speed and Reduced Processing Time

The most immediate and measurable benefit is speed. Under the pre-UPI regime, an investor's application could take days to be verified and blocked, as it moved through intermediaries and SCSBs. Under the UPI mechanism, the blocking of funds happens within minutes of the investor approving the mandate request on their UPI app.[31] This speed at the individual application level is what has made the broader compression of the listing timeline, from T+6 to T+3, operationally possible, since third-party checks, reconciliation, and allotment finalisation can now be completed within a day of issue closure rather than several.[32]

Real-Time Transparency for Investors

Before UPI, an investor applying through an intermediary had limited visibility into whether their application had actually been received and processed correctly by the relevant SCSB. The current framework requires SMS alerts to be sent to investors at each stage, mandate block and unblock, giving investors a real-time, verifiable record of their application status without needing to follow up with their broker or bank.[33] This transparency also gives investors an early opportunity to notice and correct problems, such as a mandate request that has not arrived or has been sent to the wrong UPI app, well before the allotment process begins.

Reduced Dependence on Manual Intermediary Handling

By removing the need for bid-cum-application forms to physically or electronically move from an intermediary to an SCSB for verification, the UPI mechanism has reduced the number of manual handoffs in the process, and with it, the scope for human error, mismatched details, or

[30]Author's own contextual observation situating the UPI-ASBA reform within SEBI's broader digitisation initiatives; no single source is cited for this general proposition.

[31]Lawinsider, "UPI Mechanism" definition; SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, ¶ 2.

[32]Author's own analytical link, developed from the discussion of the T+3 timeline in Part II.E above.

[33]Business Standard, "Sebi streamlines payment process through UPI for IPO allotment" (Apr. 20, 2022) (noting the requirement that SCSBs/UPI apps send SMS alerts to investors for all ASBA applications).

delay at any single point in the chain.[34] The investor's own approval of the mandate functions as a self-verifying step, since the investor is confirming, directly, that the amount and details are accurate before authorising the block.

Wider and Easier Retail Access

Because UPI is a widely adopted, smartphone-based payment rail already familiar to most Indian retail investors from everyday transactions, integrating it into the IPO application process has lowered the practical barrier to participation for first-time and younger investors. An investor with a UPI-linked bank account can apply for an IPO through a broker's app in a few taps, without needing to visit a bank branch or fill out a physical form, a meaningfully lower-friction experience than the pre-ASBA and even the early ASBA regimes required.[35]

Accountability Through Compensation Mechanisms

Finally, the framework's compensation mechanism, under which SCSBs are liable to compensate investors for delays in unblocking application amounts beyond the prescribed timeline, and may face regulatory action for non-compliance, gives intermediaries a direct financial incentive to process UPI mandates promptly and accurately.[36] This shifts a portion of the risk of processing failure away from the investor and onto the regulated entities best positioned to prevent it.

Operational Risks and Challenges

The efficiency gains discussed above have not come without cost. In practice, the UPI-ASBA mechanism has generated its own set of operational risks, some rooted in technology, others in investor behaviour, and others in the sheer scale of retail participation the system must now absorb.

Mandate Approval Failures During High-Demand IPOs

The clearest and earliest evidence of trouble emerged within a year of UPI's rollout. In late 2019, SEBI approached the National Payments Corporation of India (NPCI) after receiving hundreds of complaints from investors who were unable to participate in the heavily

[34]SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/138, ¶ 2; TaxGuru, "Use of Unified Payments Interface (UPI) with ASBA – Reg." (describing the discontinuation of physical form movement to SCSBs under Phase II).

[35]Author's own observation on the comparative accessibility of UPI as a payment rail already familiar to most Indian retail investors; no specific source is cited for this general proposition.

[36]Business Standard, supra note 33 (noting SCSBs' liability to compensate investors for delays in unblocking application amounts, and potential exposure to regulatory action under securities laws for non-compliance).

oversubscribed IRCTC and Affle India public issues, with regulatory sources describing the problem as "more of a conceptual than a technical issue."[37] The pattern identified then, investors failing to receive, or failing to have processed in time, a UPI mandate during periods of intense bidding, has recurred since. Common causes include UPI IDs that are not certified for IPO-specific mandates even though they function normally for everyday payments, incorrect PIN entries, and mandates that simply never arrive within the application window.[38]

Dependence on UPI App and Bank Server Capacity

Because mandate volumes spike sharply in the final hour of an oversubscribed IPO's bidding window, the system is particularly vulnerable to server-side congestion at exactly the moment investor participation is highest. SEBI itself has flagged this risk, directing syndicate members and SCSBs to assess technical and infrastructural capacity in advance of scheduling IPOs, and cautioning that sponsor banks must be chosen carefully to avoid processing bottlenecks.[39] SEBI has candidly acknowledged uncertainty over whether the automated UPI process has been "tested adequately" for its peak utilisation capacity, and has advised investors to apply early in the bidding window rather than risk last-minute congestion.[40]

Mandate Timing and the Hard Cut-Off

A related, more investor-specific risk lies in the rigidity of the mandate approval deadline. Investors are required to approve their UPI mandate before a fixed cut-off, typically 5:00 PM on the issue closing date, after which applications lapse automatically, with no exceptions made regardless of the reason for delay.[41] Investors applying close to this deadline face compounded risk: any combination of a delayed mandate notification, an outdated UPI app, or momentary

[37]Business Standard, "UPI system payments glitch: Sebi knocks on RBI-regulated NPCI's door" (Nov. 6, 2019) (reporting hundreds of investor complaints following the IRCTC and Affle India issues, and SEBI's characterisation of the problem as conceptual rather than purely technical).

[38]Capita1, "IPO UPI Mandate Failure Explained" (describing UPI ID certification issues as the most common cause of mandate failure); IPOInspect, "UPI Mandate Errors in IPO: Causes and How to Fix" (listing incorrect UPI ID entry, late approval, and PIN errors as common causes of rejection).

[39]Business Standard, "Flurry of IPOs: Sebi sounds alert on threat of technical glitches" (Mar. 9, 2021) (describing SEBI's directions to syndicate members and SCSBs on capacity assessment and sponsor bank selection).

[40]Id. (quoting concerns over whether the UPI process had been tested adequately for peak utilisation, and advising investors to bid early).

[41]Multibagg, "Central Bank of India UPI IPO mandate funds stuck" (describing the 5:00 PM mandate approval cut-off on the issue closing date, after which applications are rejected with no exceptions).

server lag can cause them to miss the window entirely and lose their opportunity to participate, even where the underlying bid itself was validly placed.[42]

Post-Allotment Debit Failures

A separate category of risk arises after allotment rather than before it. Even where an investor's mandate has been successfully approved and shares have been allotted, technical issues on the bank's end can occasionally prevent the corresponding debit from being executed on schedule.[43] While shares already credited to an investor's demat account can still be traded pending resolution, and banks are expected to make repeat attempts to complete the debit, this creates a period of uncertainty for the investor and, potentially, administrative friction between the investor, the bank, and the registrar.

Cybersecurity and Fraud Risks

The UPI mandate architecture, precisely because it has become a routine and expected part of the IPO application process, also creates a new avenue for fraud. Investors accustomed to approving legitimate mandate requests during an active IPO window may be more susceptible to fraudulent collect requests or phishing attempts disguised as genuine IPO mandates, particularly during periods of heavy media coverage around a high-profile listing. This is a structural risk specific to a mandate-based, investor-approval-driven system, and one that did not exist under the earlier bank-verified ASBA process.[44]

Digital Exclusion

Finally, a system built entirely around smartphone-based UPI applications inherently disadvantages investors who lack reliable smartphone access, digital literacy, or comfort navigating banking apps, a population that remains meaningful in India's semi-urban and rural retail investor base, even as UPI adoption continues to grow nationally.[45] While such investors technically retain the option of applying through the traditional ASBA/bank route, the practical reality is that IPO processing infrastructure, broker interfaces, and investor guidance have

[42]Id. (describing server lag and mandate delivery delays during the final hour of bidding as a recurring investor complaint).

[43]Zerodha Support, "Why did the UPI mandate fail even when the IPO was allotted?" (describing post-allotment debit failures caused by technical issues at the investor's bank, and the bank's obligation to make repeat debit attempts).

[44]Author's own analytical observation on the structural fraud risk created by a mandate-approval-based system; no specific source is cited for this general proposition.

[45]Author's own observation on the digital exclusion risk inherent in a smartphone-dependent application system; no specific source is cited for this general proposition.

increasingly been built around the UPI experience as the default, potentially marginalising those who cannot use it as smoothly.

Analysis: Does the Reform Strike the Right Balance?

Having examined both the benefits and the risks of the UPI-ASBA framework, this Part turns to the paper's central question: has SEBI calibrated this reform correctly, or have efficiency gains come at too high a cost to investor protection?

The Case for the Reform

On balance, the efficiency gains delivered by UPI-ASBA integration are substantial and well documented. The shift from a multi-day, bank-by-bank verification chain to a same-day, investor-approved mandate system has measurably reduced processing time, and has enabled a listing timeline compression that would have been operationally impossible under the older regime.[46] The real-time SMS-based transparency investors now receive at each stage of their application is a genuine improvement over the earlier process, where an investor had little visibility into whether their bid had even been correctly received.[47] And the compensation mechanism SEBI has built into the framework, holding SCSBs financially accountable for delays in unblocking funds, correctly places the burden of processing failure on the regulated intermediary best positioned to prevent it, rather than on the investor.[48]

The Recurring Problem of Peak-Load Failure

The more serious weakness in the current framework is not conceptual but operational: the system has repeatedly struggled precisely at the moments when investor participation is highest, the final hour of bidding in heavily oversubscribed issues. SEBI's own experience with the IRCTC and Affle India issues in 2019 demonstrated this vulnerability early, and its 2021 advisory acknowledging uncertainty over whether the UPI process had been "tested adequately" for peak utilisation suggests the regulator itself was not fully confident the infrastructure could reliably handle demand spikes, years into the framework's operation.[49] This is a meaningful gap, because the investors most likely to be affected by peak-load failure are often those applying for the most sought-after, and potentially most lucrative, issues, meaning

[46]See discussion in Part IV.A above; Business Standard, "Sebi reduces timeline for listing shares to T+3 from T+6 from December 1" (Aug. 9, 2023).

[47]See discussion in Part IV.B above.

[48]See discussion in Part IV.E above.

[49]Business Standard, "UPI system payments glitch: Sebi knocks on RBI-regulated NPCI's door" (Nov. 6, 2019); Business Standard, "Flurry of IPOs: Sebi sounds alert on threat of technical glitches" (Mar. 9, 2021).

the failure mode of the system disproportionately affects investor outcomes exactly where the stakes are highest.

The Rigidity of the Cut-Off Deadline

A second concern is the hard, no-exceptions mandate approval deadline. While a firm cut-off is administratively necessary to keep the compressed T+3 timeline workable, the current framework places the entire risk of last-minute technical failure, server lag, delayed mandate delivery, app glitches, on the investor, with no mechanism for redress where the investor can demonstrate the failure was not of their own making.[50] This is arguably a harsher allocation of risk than the compensation mechanism SEBI has built for SCSB-side delays in unblocking funds after allotment; there is a visible asymmetry between how the framework treats delay risk before the cut-off, borne entirely by the investor, and after allotment, compensated by SCSBs.[51]

Fraud Risk Remains Under-Addressed

Compared to the detailed procedural safeguards SEBI has built around mandate processing and grievance redressal, the framework's public-facing guidance on fraud risk, fake or phishing mandate requests disguised as genuine IPO applications, remains comparatively thin. As UPI-based IPO applications have become routine, so too has the opportunity for bad actors to exploit investor familiarity with mandate approval requests, and the current framework does not appear to impose any specific verification or labelling obligation on intermediaries to help investors distinguish a genuine IPO mandate from a fraudulent one at the point of approval.[52]

On Balance

Weighed together, the UPI-ASBA framework represents a genuine and largely successful improvement over the pre-2018 regime: it has made IPO applications faster, more transparent, and less dependent on manual intermediary handling, while introducing a compensation mechanism that holds intermediaries accountable for their share of the process. However, the framework's balance is not yet fully calibrated. Its greatest weakness lies not in its design but in its resilience under peak load, precisely the condition under which retail investors most need the

[50]Multibagg, "Central Bank of India UPI IPO mandate funds stuck" (describing the strict 5:00 PM cut-off, after which applications are rejected with no exceptions).

[51]Author's own comparative analytical observation, drawn from the discussion of the SCSB compensation mechanism in Part II.D above and the cut-off deadline discussed in Part V.C above.

[52]Author's own analytical observation on the comparative thinness of fraud-specific guidance within the current framework; no specific source is cited for this proposition.

system to work reliably, and in its allocation of failure risk, which currently falls almost entirely on the investor in the pre-allotment stage. These gaps do not undermine the overall case for the reform, but they do suggest that SEBI's work in this area is not yet complete.

Recommendations

Building on the gaps identified in Part VI, this Part sets out targeted recommendations to strengthen the UPI-ASBA framework without undermining the efficiency gains it has already delivered.

Mandatory Load-Testing Ahead of High-Demand Issues

SEBI should require sponsor banks and SCSBs to conduct and certify pre-issue load-testing for public issues that are expected, based on subscription trends or issue size, to attract heavy retail demand. While SEBI has already directed intermediaries to assess technical and infrastructural capacity when scheduling IPOs,[53] this obligation should be made more concrete, for instance, requiring a certified minimum mandate-processing capacity per hour, benchmarked against the peak demand observed in comparable past issues, before an IPO is permitted to open.

A Grace Window for Demonstrable Technical Failures

Rather than an absolute, no-exceptions cut-off, SEBI should consider introducing a narrow grace mechanism for investors who can demonstrate, through app logs, bank confirmation, or SCSB records, that a mandate request was not delivered, or could not be approved, due to a documented server or infrastructure failure on the part of the bank or UPI app, rather than any fault of the investor. This would not weaken the T+3 timeline itself, since the underlying allotment and listing schedule can remain unchanged; it would simply give SEBI or the relevant SCSB a basis to treat a narrow category of infrastructure-caused failures differently from ordinary late or incomplete applications.

Standardised Fraud-Warning Protocols for Mandate Requests

SEBI should mandate that all UPI mandate requests relating to IPO applications carry a standardised, clearly identifiable format or label, for instance, a uniform naming convention or verified-merchant tag, that investors can be trained to recognise, making it easier to distinguish genuine IPO mandates from fraudulent collect requests. This could be paired with periodic

[53]Business Standard, "Flurry of IPOs: Sebi sounds alert on threat of technical glitches" (Mar. 9, 2021).

investor-awareness campaigns timed to coincide with periods of high IPO activity, when fraud risk is likely to be most acute.

Real-Time Public Dashboards During Peak Bidding

To address the transparency gap during high-demand windows, SEBI or the stock exchanges could consider publishing a real-time, anonymised dashboard of mandate processing volumes and success rates during the final hours of bidding for major issues. This would not only allow investors to make informed decisions about when to apply, but would also create a public accountability mechanism that gives SEBI, sponsor banks, and SCSBs a direct incentive to maintain system performance under load.

Continued Support for the Traditional ASBA Channel

Even as UPI becomes the default mode of application, SEBI should ensure that the traditional bank-based ASBA channel remains fully functional, adequately publicised, and not treated as a deprecated fallback option. This is particularly important for investors without reliable smartphone or UPI access, who should not experience materially worse service, longer processing times, or reduced broker support simply because they are using the non-UPI route.

Periodic Review Tied to Investor Grievance Data

Finally, SEBI should institutionalise a periodic review of UPI-ASBA performance, using investor grievance data collected through the SEBI SCORES portal and SCSB-reported compensation payouts, to identify recurring failure patterns, whether concentrated in specific banks, specific UPI apps, or specific types of issues, and to adjust capacity requirements or compensation thresholds accordingly, rather than relying on ad hoc responses to individual high-profile incidents such as the IRCTC episode.[54]

Conclusion

This paper set out to examine whether the integration of the Unified Payments Interface into the ASBA framework for IPO applications has genuinely improved efficiency and investor protection, or whether it has introduced operational risks that retail investors remain poorly equipped to handle. The answer, on the evidence examined, is that the reform has done both.

On the efficiency side, the case is strong and well supported. The shift from a manual, bank-by-bank verification chain to a real-time, investor-approved mandate system has measurably

[54]Business Standard, "UPI system payments glitch: Sebi knocks on RBI-regulated NPCI's door" (Nov. 6, 2019).

reduced processing time, given investors visibility into their application status that simply did not exist before, and made possible a listing timeline, T+3 days, that SEBI itself has described as a global first.[55] The framework's compensation mechanism for SCSB delays in unblocking funds is a sound design choice, correctly placing accountability on the regulated intermediary rather than the investor.

At the same time, this paper has argued that the framework's resilience under peak load remains its most significant unresolved weakness. SEBI's own experience with the IRCTC and Affle India issues in 2019, and its later acknowledgment that it was uncertain whether the UPI process had been adequately tested for peak capacity, show that this is not a hypothetical risk but a recurring, documented one, and one that disproportionately affects investors applying for exactly the high-demand issues where participation matters most.[56] The rigid, no-exceptions mandate approval deadline compounds this problem by placing the entire risk of infrastructure failure on the investor, with no corresponding mechanism for redress of the kind SEBI has built for post-allotment delays.

The recommendations set out in Part VII, mandatory load-testing, a narrow grace mechanism for demonstrable technical failures, standardised fraud-warning protocols, real-time transparency during peak bidding, continued support for the non-UPI channel, and periodic review tied to grievance data, are aimed at closing this gap without disturbing the efficiency gains the reform has already delivered.

In sum, the UPI-ASBA framework represents a genuinely successful modernisation of the IPO application process, but one that is not yet complete. Its success should not be measured only by how quickly it processes routine applications, but by how reliably it performs under the exact conditions, heavy retail demand, tight deadlines, high stakes, that the reform was designed to handle in the first place.

[55]LiveLaw, "SEBI Reduces IPO Listing Timeline To T+3 Days" (Aug. 12, 2023).

[56]Business Standard, "UPI system payments glitch: Sebi knocks on RBI-regulated NPCI's door" (Nov. 6, 2019); Business Standard, "Flurry of IPOs: Sebi sounds alert on threat of technical glitches" (Mar. 9, 2021).