Indian Economy · GS - III

Discuss the significance of SEBI's IPO regulatory framework in balancing investor protection with capital market development.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 27/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

IPO regulation, retail participation, disclosure standards, investment limits, investor protection, capital mobilisation, market transparency

Model Answer

Initial Public Offerings (IPOs) enable companies to raise capital from the public while providing investors an opportunity to participate in corporate growth. SEBI regulates this process through its Issue of Capital and Disclosure Requirements (ICDR) Regulations.

Significance of the regulatory framework

1. **Investor protection:** Mandatory disclosures help investors assess a company's financial position, risks and business prospects.
2. **Market transparency:** Standardised procedures and disclosure requirements reduce information asymmetry.
3. **Retail participation:** A separate retail investor category facilitates participation by individual investors.
4. **Capital formation:** A well-regulated IPO market enables businesses to mobilise funds for expansion and investment.
5. **Market confidence:** Regulatory oversight and accountability strengthen trust in the securities market.

The case for reviewing investment limits

Reconsidering the long-standing ₹2 lakh retail application threshold may help align regulations with changing income levels, investment capacity and market conditions. However, any revision should consider affordability, investor risk exposure and equitable allocation.

Conclusion

SEBI's challenge is to modernise IPO regulations without weakening investor safeguards. Evidence-based reforms, transparent disclosures and effective grievance redressal can promote both retail confidence and sustainable capital market development.

BECOME
IAS
AI POWERED UPSC PREP