SOCIAL STOCK EXCHANGE: AN INNOVATIVE FINANCING PLATFORM FOR SOCIAL ENTERPRISES IN INDIA

DEEPAK KUMAR ADHANA

Research Scholar, Institute of Management Studies & Research (IMSAR), Maharshi Dayanand University, Rohtak-Haryana

ABSTRACT

Social finance is considered to be the mainstream problem in India for goods and services which targets the disadvantaged and poorer sections of the society. It is proposed by Indian finance ministry in the recent budget speech to create a separate system for fund raising to help the disadvantaged people of society. Social stock exchange is a platform on which social enterprises, volunteer groups and welfare organizations will be listed so that they can raise capital. The proposal has attracted much attention, and social entrepreneurs, among others, have said that the move can have a revolutionary effect on how they tap investors for capital. With social finance, impact investors put their capital behind enterprises that profitably cater to underserved populations by expanding access to critical goods and services, such as healthcare, affordable housing, credit, and quality employment etc.

A unified platform can bring in greater transparency for nonprofits, and help both individuals and the corporate sector evaluate organizations they would like to give money to. Such a platform can help with both discoveries of organizations and in impact evaluation, which is otherwise expensive. The fund channeling capability of social stock exchanges for the purpose of social upliftment of society will certainly be a game changer for those who have fire to do something for the society but lack resources.

The present paper highlights the basic concepts of Social Stock Exchange and various terms associated with it, such as Social Enterprises and Impact Investment. It also analyses the proposal of Indian Government for setting Social Stock Exchange and how it will function. The paper further exhibits how would social stock exchange help in Indian context? In the end paper studies the probable challenges in introducing Social Stock Exchange in India.
KEY WORDS: Impact Investment, SEBI, Social Enterprises, SSE

I. INTRODUCTION:

Indian markets could soon see the introduction of so-called social stock exchanges, which enable investors to make impact investments. The social exchange platform is an innovative measure to involve public participation in social causes through the equity route. In Budget in July, Finance Minister Nirmala Sitharaman proposed a social stock exchange for social enterprises and voluntary organizations working for social welfare to help them raise capital through debt, equity and mutual fund.

However, before one can understand what a Social Stock Exchange is, two terms — social enterprises and impact investment — need to be understood. A social enterprise is a revenue-generating business, but with a difference — its primary objective is to achieve a social objective. It does not ignore or shun pursuit of profit but its primary goal is social service. While pursuing social goals, the social enterprise does not do away with profit because it ensures the sustainability of the entity. The cornerstone of the philosophy is that even social enterprise can be highly profitable. Impact investment is the investment made into businesses with the aim to make a noticeable social, economic and environmental impact. At the same time it generates a wide range of returns, ranging from profit to publicity to creating awareness, to educating masses etc.

The proposed exchanges will be regulated by the Securities and Exchange Board of India (SEBI) and will allow listing of social enterprises and voluntary organizations. The Securities and Exchange Board of India (SEBI) has constituted a working group on Social Stock Exchanges (SSE) under the chairmanship of Ishaat Hussain, Director, SBI Foundation. The working group shall examine and make recommendations with respect to possible structures and mechanisms, within the securities market domain, to facilitate the raising of funds by social enterprises and voluntary organizations.

Now the entities working for the realisation of a social welfare objective will be able to raise both equity and debt through an electronic fund raising platform. The listings on Social Stock Exchange will be monitored regularly to promote competition and encourage discipline. The
securities of the top social organization will carry a premium and the ones that lack in efficiency will be penalized.

A social stock exchange, broadly, is understood as a platform that allows investors to buy Shares in a social enterprise that has been vetted by the exchange. In the social stock exchanges the value of instruments like shares depends on the social impact of organization or the company, on the society.

II. OBJECTIVES AND RESEARCH METHODOLOGY:

OBJECTIVES:

The study has been geared to achieve the following objectives;

1. To study the basic concepts of Social Stock Exchange and various terms associated with it

2. To analyse the comparison of Social Stock Exchange and Conventional Stock Exchange

3. To study the proposal of Social Stock Exchange and how it would be helpful in Indian context

4. To study the probable challenges in introducing SSE in India

RESEARCH METHODOLOGY:

Data Collection Method: This study has been carried out with the help of secondary data only, all the data has been collected from the various sources such as websites & reports and compiled as said by the need of the study.

Sources of Data Collection: The study is based on the published data. For the purpose of present study, the data was extracted from the various newspapers, journals, articles and websites particularly from Securities and Exchange Board of India and Ministry of Commerce. Budget speech of July 2019 has also been analysed.
III. SOCIAL STOCK EXCHANGE (SSE):

The Social Stock Exchange is being seen as a tool that can give a practical shape to entrepreneur’s vision for a better society thereby improve access to better treatment and diagnostic facilities in remote areas in the country.

A social stock exchange (SSE) is a platform on which social enterprises, volunteer groups and welfare organizations are listed so that they can raise capital. This is a revolutionary concept to provide an avenue to these organizations, so that they can approach and tap the reservoir of investors for capital. We all are aware that one of the main concerns of the society has been to remove poverty and transfer the benefits of economic growth to the last person in the line.

Social finance makes a compelling promise: to make the world a better place by harnessing the power of the market to address pressing global social challenges—to do well financially by doing social good. In order to fulfill this promise, however, social finance—or impact investing—must strike a delicate balance between two historically opposed imperatives: profit and social benefit. And when this balance tips in favor of profitability, social finance can end up harming the very people whose lives it seeks to improve.

However, before one can understand what a SSE is, two terms — social enterprises and impact investment — need to be understood.

A. Social Enterprise:

A social enterprise is a revenue-generating business, but with a difference — its primary objective is to achieve a social objective. It does not ignore or shun pursuit of profit but its primary goal is social service. While pursuing social goals, the social enterprise does not do away with profit because it ensures the sustainability of the entity. The cornerstone of the philosophy is that even social enterprise can be highly profitable.

In fact, most social enterprises look and operate like traditional businesses. The thrust and focus is that the profit these entities generate is not used for payouts to investors, but reinvested into their social programs. A continuous flow of profit helps social enterprises plan and execute long-term programs, and bring on board the required technology and professionals. Profit, which
makes social enterprises sustainable, differentiates them from charities. Charities also have a social mission, but they are fully dependent on donations.

---

**Real Social Enterprise**

An example of a social enterprise is Bangalore-based SELCO. This is an entity involved in the ‘delivery of last mile sustainable energy solutions’. SELCO says, it “has maintained modest profits in the last eight years with growth rates at an annual average of 20 per cent. It has reinvested its profits back into the company”. SELCO views energy access as an underlying precondition to facilitate progress related to health, education, livelihoods, financial inclusion and so on leading to overall improvement in quality of life. It understands the root of the problem within context and then assesses how energy can resolve it.

---

**B. Impact Investment:**

The investment by social enterprises is described by a different term called Impact Investment. As the term suggests, impact investment is the investment made into businesses with the aim to make a noticeable social, economic and environmental impact. At the same time it generates a wide range of returns, ranging from profit to publicity to creating awareness, to educating masses etc. The pursuit of double or triple bottom line returns on investment—financial, social, and environmental—is alternating referred to as social finance, impact investing, or shared value investing, and I use these terms interchangeably.

One way to understand impact investment is as an alternative mode of financing for socially beneficial goods and services that have traditionally fallen within the purview of government. It involves bringing private capital and market-based business solutions to bear on the world’s most pressing social and environmental problems.

Social finance has gained a lot of attraction in recent years, rising in prominence among the business, philanthropic, and development communities, as well as among domestic and
international policy makers. It has captured imaginations in part because of the volumes of capital involved. Since the term impact investing was coined in 2007, the world has witnessed increasing amounts of funds being channeled into Impact Investment and many predict that these problem-solving capital flows will exceed Official Development Assistance (“ODA”) by 2020. While the money alone is a sufficient reason to take social finance seriously, the ideas that fuel Impact Investment may constitute an even more important reason to pay attention. These ideas have the potential to change how and which socially beneficial services and goods (e.g. housing, health, education, and electricity) are financed, and therefore to transform global social provisioning systems. This demands special consideration, especially for those interested in improving global social welfare and in using law and regulation to support that effort.

The Global Impact Investing Network (“GIIN”), an industry association for social finance, defines impact investments as follows:

Impact investments are investments made into companies, organizations and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on the circumstances.

**Broadly speaking,** Investments made with an aim to make quantifiable social, economic and environmental impression and also generating profit and publicity. Currently, impact Investment sector is growing in India which means that investments will also increase.

Social Stock Exchange will act as a platform to bring social organizations and impact investors together where investors will be able to buy shares in the form of bonds from the listed organizations whose mission may align to that of the investor’s interests. The value of these social organizations listed on the exchange will be linked to their social impact.

Social startups often find it difficult to raise funds through angel and venture capital investors, unlike regular technology startups. The scale of its success cannot be measured or assessed for near future since it is more about the nature of impact and not acquiring users through discounts etc. Since investors look for successful business models to validate their investments, investing
in social startups becomes a little difficult because of the nature of the market. However, listing on an exchange makes up for a viable option for the social startups looking for funding and capital.

**Fact check**

Globally, around 1,300 organizations manage $502 billion in impact investing assets, Global Impact Investing Network says. Impact investments are growing in India too,

And in six years between 2010 and 2016, the impact investing sector in the country attracted over $5.2 billion that is approximately 36000 crores in Indian rupees.

Over $1.1 billion that is 7700 crores approximately In Indian rupees which was invested in 2016 alone. And this investment is growing at an annual rate of 14 per cent.

Another interesting part is that According to a Brookings survey, a majority of impact investors surveyed and amazingly around 67 percent said they achieve above-market returns. For this particular survey, market returns are assumed to be 12.5 per cent,

And the results were consistent with the surveys carried out by Impact Investors Council and McKinsey too. Therefore, the impact investing sector is likely to continue to grow, which means that the volume of investment may also increase. A large part of this investment will fuel social enterprises.

As per a McKinsey Report titled ‘Impact Investing: Purpose Driven Finance finds its place in India’ (2017), Impact Investment in India could grow between $6 billion to $8 billion by 2025. In order to ensure relevant and context specific development for the people and planet, improving living standards and scaling up social efforts, a new kind of purpose driven investors is rising. Joining this league are mainstream investors who were once seen as funders seeking financial profits.

**Social Stock Exchange and Conventional Stock Exchange:**

Social Stock Exchange and Conventional Stock Exchange are different from each other

<table>
<thead>
<tr>
<th>Social Stock Exchange</th>
<th>Conventional Stock Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>A platform on which social enterprises</td>
<td>A platform to trade financial instruments and</td>
</tr>
</tbody>
</table>
volunteer groups and welfare organizations are listed so that they can raise capital for the welfare of the society and the disadvantaged. The value of these financial instruments depends on future earning capacity of the issuing entities.

IV. SOCIAL STOCK EXCHANGE IN INDIA:

Social Stock Exchange is a platform which allows investors to buy shares in social enterprises vetted by an official exchange. India has one of the largest NGO sector in the world. The country has more than 33 lakh registered NGOs compared to 11 lakh registered corporate. However, the funding to these organizations is not very transparent and branches of some foreign NGOs divert the funding to other pet causes which are often detrimental to the national interest and development agenda. Some genuine organizations which are working for the welfare of the community face a shortage of funds.

Secondly, According to the Brookings Institute recent report, titled “The Promise of Impact Investing in India”, India faces a financial gap of around $564 billion for achieving the sustainable development goals (SDGs) by 2030. The report also mentions that in a survey of social enterprises, 57% identified access to debt or equity as a barrier to growth.

To overcome these challenges, India needs to ensure that sufficient capital is invested in creating a positive impact on society. Encouraging social enterprises and private investment for social good, is essential in this regard. Taking a step, The Union Budget 2019 proposed setting up of first of its kind Social Stock Exchange in India. During her maiden Budget speech, Finance Minister Nirmala Sitharaman had said, "It is time to take our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion. I propose to initiate steps towards creating an electronic fundraising platform – a social stock exchange - under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund."

It is clear from Sitharaman's statement that the SSE will function as a common platform where social enterprises can raise funds from the public. It will function on the lines of major stock exchanges like BSE and NSE. However, the purpose of the Social Stock Exchange will be
different - not profit, but social welfare. Impact investing in India began in earnest in 2001 with the establishment of Aavishkar, India’s first for-profit impact fund, alongside the entry of the non-profit Acumen Fund.

**Why Social Stock Exchange?**

India needs massive investments in the coming years to be able to meet the human development goals identified by global bodies like the United Nations. This can't be done through government expenditure alone. Private enterprises working in the social sector also need to step up their activities. Currently, social enterprises are very active in India. However, they face challenges in raising funds. One of the biggest hurdles they face is, apparently, the lack of trust from common investors.

**Will Social Stock Exchange benefit social enterprises?**

The transactions on the Social Stock Exchange would likely be online, on the lines of other stock exchanges. However, no details have been declared by the government, apart from the announcement of the proposal. It remains to be seen how investors respond to the exchange when it is set up by the government.

**How would such a social stock exchange function?**

Such platform would function in the same manner as a normal stock exchange does. But such platform will be created to serve the society, generating source from the society and giving back to society in form of welfare, upliftment through providing great infrastructures like roads schools hospitals etc. This will be considered as pursuing social cause without socialistic ideology. In such a system we can buy shares, we can sell such shares but, we don’t need any dividend from that company or organization which is listed on social stock exchange. It’s the pleasure we get from helping through investment.
Groups or institutions, companies or people creating funds in the form of debt equity or mutual funds will be benefitted through social stock exchange. Social stock exchange and electronic fund raising platform will be created with regulations of SEBI to list all the Ngo’s, self-help groups and any institution who wants to do social help in any sense for the welfare of the society. Government in present considers that we need special donors in the form of investors to lead social campaign to help the society. There has always been a question over funding of Ngo’s and other social institutions and non-profit organization, when such organizations and Ngo’s are listed over such social stock exchange it gives a transparency about source and usage of such funds.

For instance some of the social stock exchanges in the world functions in the following manner:

Launched in 2013, the Social Stock Exchange in London (UK), for instance, functions as a directory connecting social enterprises with potential investors. On the other hand, the local Ontario government-backed Social Venture Exchange (SVX) in Canada is an online platform where retail and institutional investors can invest in companies with a social or environmental impact. Globally, there are a handful of social stock exchanges such as Singapore’s Impact Investment Exchange Asia and London’s Social Stock Exchange. These exchanges allow companies operating in sectors such as health, environment and transportation to raise risk capital.

V. WHAT DOES A SOCIAL STOCK EXCHANGE DO?

Envisioned as an electronic platform, an SSE will bring together social enterprises and impact investors on a common platform. A social stock exchange, broadly, is understood as a platform
that allows investors to buy shares in a social enterprise that has been vetted by the exchange. The SSEs provides access to the world’s first regulated exchange dedicated to businesses and investors seeking to achieve a positive social and environmental impact through their activities.

On this platform, investors, like in any other stock exchange, will be able to buy shares (basically trading of securities or potentially debt, in the form of bonds) of listed entities — in this case of a social enterprise which has a mission aligned to their interests. On the exchange, a listed entity’s value will be linked to its social impact. So that means there will be some point system.

Points will be awarded to social enterprise on the basis of social impact it has left on society in a positive manner, the more the social impact a listed organization creates, the more points they get, more the points more the shares and its value and finally which leads to greater funds.

**Figure 2: Social Impact Factors**

**Social Stock Exchange around the World**

An investor would come to a SSE to find a social business with a mission according to his or her preference. This is great news for all players in the industry (including governments, multilateral financing institutions, community organizations, development agencies, and social entrepreneurs), and countries like Canada, the UK, Singapore, South Africa, Brazil, and Kenya have already opened their doors to their very own social stock exchanges. Here are the bigger ones:

- **UK:** Social Stock Exchange opened in June 2013. The exchange does not yet facilitate share trading, but instead serves as a directory of companies that have passed a “social impact test”; it
also acts as a research service for would-be social impact investors. The great news for social businesses is that it is never too late to get listed at an SSE and get much-needed visibility.

- **Canada:** Social Venture Connexion opened in September 2013. It holds itself up as a “trusted connector” whereby it provides social businesses with access to interested impact investors, service providers, high visibility, and a means to value their triple bottom line at affordable prices.

- **Singapore:** Impact Exchange opened in June 2013 and is the only public SSE. It aims to function similarly to the UK SSE by providing information about valued social businesses and impact investing funds. Interestingly, it also includes nonprofits in its list of issuers, which can issue debt securities such as bonds.

- **South Africa:** SASIX was the second global SSE. It opened in June 2006 in an attempt to provide vital finance to unknown social businesses. It works like a conventional social stock exchange and offers ethical investors a platform to buy shares in social projects according to two classifications: sector and province.

Each is very different. The UK SSE currently acts as an information provider to the general public, publishing standardized and comparable social impact data on its site.

**VI. HOW WOULD SOCIAL STOCK EXCHANGE HELP IN INDIAN CONTEXT?**

1) India’s social enterprises ecosystem is growing fast, but in a recent survey conducted by the British Council India on the status of social enterprises, 57 per cent of the entities surveyed said that access to debt or equity is a huge barrier to growth and sustainability. They find it very difficult to overcome this barrier. However, this barrier can be overcome by bringing social enterprises and investors on a single platform, and solution is social stock exchange.

2) An SSE will not only give social enterprises access to capital, but will actually make the exercise much cheaper for them by standardization of the process and does away with the need to engage and negotiate directly.

3) Impact investors want measurable delivery. But over 27 per cent impact investors in India, a Brookings India survey says, they find impact measurement difficult. At least 25 per cent said that finding high-quality investment opportunities was a challenge. Despite the
development of tools such as the Global Impact Investing Rating System and Impact Reporting and Investment Standards, evaluation and monitoring the impact of investment and social returns remains a tricky issue. Challenges faced by Indian impact investors. (Source: Brookings India) However, for SSE, stakeholders will develop a framework for monitoring of impact, and social enterprises accessing the platform for capital will be vetted before listing, thus ensuring quality and eliminating some of these issues. In simple terms, listing on SSE will be a seal of quality for a social enterprise and would provide investors’ confidence that due diligence has been undertaken.

4) In the same Brookings India survey, over 44 per cent of impact investors surveyed identified ‘finding suitable exit options’ as a challenge. Lack of a liquid market place means the investors will be overly cautious, resulting in net investment going down. As a solution, SSEs offer exit routes.

5) Easy and cheap capital means that the dependence of social enterprises and welfare organizations will not be dependent on aid from private foreign donors, which comes with ‘strings attached’ in most cases. The Narendra Modi government has been cracking down on non-government organizations after intelligence agencies accused NGOs such as Greenpeace, Cordaid, Amnesty, and Action Aid for reducing India’s GDP by 2-3 per cent per year. Over the last few years, the government has acted against 13,000 NGOs till 2019 and this, in turn, says Brain & Company, has led to a 40 per cent decline in the flow of funds from external sources.

6) Given that listing on SSE would involve regular audit of impact that social enterprises create, it will promote competition between firms and encourage market discipline. The securities of the best performing social enterprises will carry a premium, and, in turn, the companies that are not efficient will be penalized by the market.

7) Establishment of SSE will help the rapidly growing impact investment market in India to become a more regulated capital market. The proposed SSE will be regulated by the Securities and Exchange Board of India.

8) As impact investment becomes more accessible with the help of SSE, money flowing into sustainable development would increase, reducing the burden on the government. If developed with the right framework, SSEs can emerge as an important channel for international development finance.
VII. CURRENT CHALLENGES:

So given these positive developments across the globe, what are some of the challenges facing SSEs? The biggest issue is still accreditation at all levels, while ironing out the details; one of the government’s priorities should be to define a social Enterprise.

The first thing the government needs to decide is how to distinguish between an asocial enterprise and a normal enterprise. The criterion doesn’t exist in India. While setting up an exchange is easy, the challenge lies in making it work and creating liquidity.

Not everyone is convinced that a separate stock exchange might be the best way to improve access to capital for social enterprises. They think both India and our sector would be much better served if the SME exchange could be up and running properly, considering all these social enterprises are actually SMEs. To them, that’s more viable than creating another impractical exchange.

There is less clarity about how a stock exchange will help raise capital for “voluntary Organizations”, If it is applicable to Section 8 companies, this will include the BCCI, one of the richest sports bodies, and every moneymaking private school. We don’t know the framework yet. With the government distrustful of foreign donations to nonprofits, the exchange might help the sector generate more capital.

Given the flurry of SSEs around the globe, how should the sector coherently develop so that it achieves its intended social mission while adding real value to the societies it serves? We need a number of measures to give meaning to the SSE concept at this juncture:

- **Education, training, and awareness.** This applies to all market players; we need to create a common understanding of metrics and instill the right horizon mentality for all investment decisions. This would allow social businesses to attract capital and set them apart as a special “asset class” like traditional for-profit investments.

- **Creating social businesses.** There are efforts underway to create and support social businesses, but we need more. Many still think that three years is “the make or break” line for any new business and social businesses are especially vulnerable to failure due to lack of resources and
uncontrollable environments. It is much easier to evaluate a new tech start up than a company providing vaccines to reduce mortality rates in India!

- **Policy and regulation.** This provides the greatest opportunity for work; governments need to assist in creating social finance markets, and then support them with the right mix of policy and legislative tools. For example, there are still legal restrictions preventing fund managers from investing in social finance in many countries, there is minimal guidance for type B-Corporations, and there are minimal or no incentives (tax or otherwise) for investors to invest in social businesses. In its leadership of the G8, the UK’s Social Impact Investment Taskforce includes seven countries, the EU, and related working groups. India should follow suit and work closely with the Task Force to craft national solutions.

- **Research and development.** This is another area where small investments could reap huge benefits in the future. Investors—whether local governments, philanthropic organizations, or foundations—need to provide more seed funding to understand and gauge the necessary drivers for impact investment, and boost the organizational capacity of the social sector. This knowledge would provide the right framework within which investors can make more holistic decisions that include social businesses and SSEs.

Ultimately, social finance affects important decisions regarding allocation of creativity, capital, and entrepreneurship. It affects growth of new markets, business structures, and commodities within existing societies. It is interesting to note that SSEs were a response from unconventional actors, namely private sector fund managers that saw real value in creating a more holistic investment market. To allow this parallel economy to grow, it remains our collective responsibility to create positive ecosystems for SSEs so that they become not just another fad, but rather a normal way of living and thinking on par with traditional markets.

**Have Other Countries Tried SSEs And Do They Actually Work?**

Many SSEs have emerged across the world over the last two decades. Brazil was the first country to have a SSE; it was set up in 2003. Since then, many countries, like Canada, the United Kingdom (UK), Singapore, South Africa, Brazil, and Kenya, have also followed with their own models. Most of these came up in the first few years of this decade.
One of the most successful SSEs is in Singapore. It is known as Impact Investment Exchange Asia. It was set up in 2013.

This SSE is helping raise an impact investment capital of around $40 million per year and it has built a network of over 30,000 partners.

The UK’s Social Stock Exchange, which was also set up in 2013, has started delivering. In 2016 alone, its members raised £400 million for, among other things, affordable housing, clean energy, and new healthcare facilities.

Therefore, a number of countries have tried developing SSEs and they have worked too. But a lot depends on the framework, and little is known about India’s plan so far because finance minister in her budget speech has simply thrown the idea of setting up social stock exchange. Studying successful SSE models around the world should be the first step in the development of India’s own SSE.

In Canada for example the SSE is an online platform. It allows investments in Canadian companies and funds that have “a positive social or environmental impact”. Retail investors are also allowed to participate.

The Social Stock Exchange in London functions more as a directory connecting social enterprises and potential investors. Launched in 2013, it only accepts companies that pass its independent assessment on social impact.

The Kenya it is known as Social Investment Exchange. Launched in 2011, it connects vetted social enterprises with impact investors, both foreign and domestic. A listed social enterprise has to demonstrate social impact as well as financial sustainability beyond the funding period.

We can hope that it would be easy for companies, nonprofit organizations, Ngo's and other institutions to raise funds to leave an impact over society in a positive way. They will be able to raise funds in the smoothest manner by creating such facilities like social stock exchanges.
VIII. REGULATORY FRAMEWORK:

It can be suggested that the regulation should be similar to the conventional stock exchanges but there special needs must be kept in mind.

A few rules can be proposed here for further debate and discussion. First, Social purpose businesses can join the Social Stock Exchanges as members and pay a fee for membership. Also they should pay a nominal fee for any capital they raise via the exchange. All members whether a company or NGO or person, must meet a rigorous set of criteria before joining. In London Social stock Exchange a test has to be passed before an individual can gain its membership. Also, there can be a provision for presenting a Social Impact Report. And this report should be assessed by an independent Admissions Panel. This panel will have the responsibility of verifying the businesses’ social or environmental purpose presented in the report. In addition all Members should be required to publish and submit social impact report on an annual basis, to demonstrate performance against social impact targets. These reports should also have year on year improvement in the standards and targets; they set for achieving their social-impact. It would be desirable that reports listing achievements must provide verifiable evidence of their work. The impact methodology should be based on a ‘performance-lock’ and does not require a mission or asset lock.

A unified platform can bring in greater transparency for nonprofits, and help both individuals and the corporate sector evaluate organizations they would like to give money to. Such a platform can help with both discoveries of organizations and in impact evaluation, which is otherwise expensive. In that end we must conclude with a positive note that the fund channeling capability of social stock exchanges for the purpose of upliftment of society will certainly be a game changer for those who have fire to do something for the society but lack resources.

CONCLUSION:

Setting up of a Social Stock Exchange is a win-win situation for both people and society, if properly implemented. While investors would get a better and more potent opportunity to extend a helping hand towards ever changing needs of society such as health and care for elderly, this will also improve the system for people. Over the centuries, society and business complemented
each other and commercial activities originally evolved primarily to address the needs of society. However, with the concept of profit making commercial activities have overtaken the needs of a balanced social order, it is implied that SSE would be most useful in balancing the widening gap between the haves and have-nots. At the same time, social entrepreneurs will not only get social returns on their investments, but also comparatively good economic return as they will be investing in not-for-profit making enterprises.

It’s also true that the effectiveness of the proposed SSE in India will depend on government policies to efficiently run the SSE and government’s capability to build confidence, of the private investors, in the SSE. The SSE needs to have robust systems and processes for defining what social enterprises will be listed, bringing public capital to the SSE, and incentives for social enterprises and the investors to be involved in the SSE.

REFERENCES:


11. Budget Speech, 2019

12. National Resource Centre, SRCC, Delhi University