

SOCIAL STOCK EXCHANGE: A WELCOME CHANGE!



Wednesday Wisdom
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Sandeep Kumar M, from Madurai, part of 133 batch of 'SGBS Unnati Foundation' secured a job as an 'Operations Executive' at 'Smart Q' with a monthly salary of Rs. 20,000/-. In this way, Unnati has contributed to the lives of over 45,000 youths across India. Unnati Foundation is the only NGO in India who has listed its securities (Zero Coupon Zero Principal) on Social Stock Exchange. They turned kindness into currency, proving that in India, we're not just talking about change, we're making it happen![1]

Let's explore more about the Social Stock Exchange and get a clear idea about it.[2]

Q. 01- What is Social Stock Exchange?

Ans. Social Stock Exchange (SSE) is a trading platform provided by Securities Exchange Board of India (SEBI) to 'For Profit Social Enterprises' and 'Not for Profit Organizations', to raise funds by listing their securities on the recognized SSE, from Investors who are willing to invest.

Q. 02 - Is this a New Concept to the world?

Ans. Following Countries had already established Social Stock Exchanges across the globe.

SR no.	Year of Establishment	Country
1.	2003	Brazil
2.	2006	South Africa
3.	2009	Portugal

[1]<https://unnatibl.org/AboutUs>

[2]The article reflects the general work of the authors and the views expressed are personal. No reader should act on any statement contained herein without seeking detailed professional advice.

4.	2013	United Kingdom
5.	2013	Canada
6.	2013	Singapore
7.	2019	Jamaica

Out of all seven, only three in Canada, Singapore and Jamaica still exist and are in functioning state.[3]

Q. 03- What is the main objective of Social Stock Exchange?

Ans. SSE aims to provide an alternative fund-raising structure in the field of Social Enterprise. In the reemergence phase, it will act as a strategic tool to recover the economic impact of the Covid-19 Pandemic and focuses to use the funds invested by Investors to re-build the lives of those who were affected by the pandemic.

SSE seeks to bring together profit and Socially Oriented Ventures to collaborate for sustainable solutions to social challenges.

One of the key objectives is to increase awareness about the work of social enterprises. This involves educating people, including investors, about the valuable contributions that businesses make to society.

[3] https://www.icsi.edu/media/webmodules/11112021SOCIAL_STOCK_EXCHANGE.PDF and
<https://timesofindia.indiatimes.com/blogs/agyeya/social-stock-exchange-standardisation-to-optimization/>



04 - Understanding 'Social Enterprises', 'For Profit Social Enterprises' and 'Not for Profit Organizations' in the context of SSE.

Ans. The Social Stock Exchange classifies Social Enterprises into two main categories,

1. For Profit Social Enterprises
2. Not for Profit Organizations

Any Enterprise will be defined as '**Social Enterprise**' if it satisfies any of the following criteria,

1. If such entity establishes primacy of social intent.
2. In order to establish Primacy of Social Intent, entity should meet the eligibility criteria.
 - Eligible Activities with context to Social Enterprises is defined in Section 292E (2) (a) of the Securities Exchange Board of India (Issue and Capital and Disclosure Requirements) Regulations, 2022.
 - The Social Enterprise should focus on helping people or areas that are often overlooked or don't have many resources, especially those that haven't seen much progress in the plans of central or state governments for development.
 - At least 67% of the activities of Social Enterprises will be termed as eligible activities through one or more of the following,

i. At least 67% of its revenue is generated from providing eligible activities to the target population from an average of immediately preceding 3 years **OR**

ii. At least 67% of the immediately preceding 3-year average of expenditure has been allocated to providing eligible activities to members of the target population. **OR**

iii. Members of the target population who have received eligible activities constitute at least 67% of the immediately preceding 3-year average of the total customer base and/or total number of beneficiaries.[4]

[4]Section 292E (2) (a) of the Securities Exchange Board of India (Issue and Capital and Disclosure Requirements) Regulations, 2022.

Q.05- Which organizations/entities are excluded from being classified as Social Enterprises?

Ans.

- i. Corporate foundations are primarily funded by a parent corporate entity or a group of corporate entities.
- ii. Political or religious organizations or activities
- iii. Professional or trade associations.
- iv. Infrastructure companies and housing companies (other than affordable housing companies).

Q.06 – What are ‘For Profit Social Enterprises’ and ‘Not for Profit Organizations’ in the context to Social Stock Exchange?

Not for Profit Organisations-

Social Enterprises from the following,

1. charitable trust registered under the Indian Trusts Act, 1882 (2 of 1882).
2. charitable trust registered under the public trust statute of the relevant state.
3. charitable society registered under the Societies Registration Act, 1860 (21 of 1860).
4. company incorporated under section 8 of the Companies Act, 2013 (18 of 2013).
5. any other entity as may be specified by SEBI.

For Profit Social Enterprises-

Social Enterprises from the following,

1. A Company carrying out its business activities to earn the profit and registered under the Companies Act, 2013, and does not include Companies Registered under Section 8 of the Companies Act 2013.
2. A Body Corporate operating for Profit.

Q. 07- Is the registration of For-Profit Social Enterprises and Not for not-for-profit organizations mandatory to raise funds through the Social Stock Exchange?

Ans. For Profit Social Enterprises – NO, For Profit Social Enterprises are not required to register with SSE before raising funds.

For Not-for-Profit Organizations- YES, Not for Profit Organizations are required to obtain mandatory registration with Social Stock Exchange before raising funds.

Q. 08 - What are the avenues available for Not-for-Profit Organizations and For-Profit Social Enterprises to secure funding via the Social Stock Exchange?

Ans.

NOT FOR PROFIT ORGANISATIONS

**Issuance of Zero
Coupon Zero
Principal Instruments
[through private
placement or public
issuance]**

**Donations through
Mutual Fund
Schemes [as shall be
specified by SEBI],**

**Any other means that
SEBI may specify in
future.**

FOR PROFIT SOCIAL ENTERPRISES

Issuing equity shares on the main board, SME platform or innovators growth platform or equity shares issued to an Alternative Investment Fund including a Social Impact Fund.

Issuing debt instruments or Securities

Any other means that SEBI may specify in future

Q. 09 - In what ways does a Social Stock Exchange (SSE) contribute towards enhancing of funding opportunities for Investors?

Ans. A Social Stock Exchange (SSE) helps Investors by offering opportunities to support businesses which are making a positive impact. It ensures transparency, making it easy for investors to see that their money is being put to good use. SSE provides various investment options for socially responsible companies, aligning with what Investors care about. It thoroughly checks businesses, reducing risks for Investors. SSE's focus on social impact makes listed companies more trustworthy, attracting more funding. SSE makes it simple for Investors to support good causes and possibly earn returns from their businesses at the same time.



Q. 10 - In what ways does a Social Stock Exchange (SSE) contribute towards enhancing of funding opportunities for Social Enterprises?

Ans. A Social Stock Exchange (SSE) is a boost for Social Enterprises to get more funding. It helps connect businesses with Investors who are driven to make a positive impact in the Society. Being part of SSE makes a Social Enterprise look more trustworthy to Investors. It also gives these businesses a chance to display what they're doing well and attract a wide range of people who want to support causes that matter. SSE connects Social Enterprises with like-minded Investors who share their values, making it more likely to get funding from those who genuinely care about the social impact. It's not just a platform; it's a supportive community that understands and appreciates the efforts of businesses trying to make a positive impact. In a nutshell, SSE opens up opportunities for Social Enterprises to find the right Investors, gain recognition, and attract different types of funding that align with their goals.

Conclusion

Social Stock Exchanges (SSEs) offer Social Enterprises a fresh avenue for funding and simplifying the investment process. They make it easy for Investors to support projects that make money while helping society. SSEs also encourage businesses to be environment-friendly and socially responsible. Thus, Companies and Investors form an alliance for a positive and sustainable future.

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