



Social Stock Exchange

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Why in News

Recently, an expert panel constituted by the **Securities and Exchange Board of India (SEBI)** has recommended allowing **non-profit organisations** to directly list on **Social Stock Exchanges (SSE)**.

Major Recommendations

- **Issuance of Bonds:**

Allowing non-profit organisations to directly list through issuance of bonds in the form of **zero coupon or zero principal bonds**.

- **Zero-coupon bond** is a debt security that **does not pay interest** but instead trades at a deep discount, drawing a profit at maturity, when the bond is **redeemed for its full face value**.
- This would help to access funds from donors, philanthropic foundations and Corporate Social Responsibility (CSR) spenders as they will be encouraged to buy zero coupon bonds.

- **Social Venture Funds (SVFs):**

It recommends a range of funding avenues, such as **Social Venture Funds (SVFs) under Alternative Investment Funds (AIFs)**.

Social Venture Funds (SVFs) are funds investing in early-stage social enterprises to expand opportunity for people living in poverty.

- **Enhanced Reporting Standards:**

Profit social enterprises be allowed to list on the platform with **enhanced reporting requirements**.

- The social stock exchange can be housed within the existing national bourses like the **Bombay Stock Exchange (BSE)** and the **National Stock Exchange (NSE)**.

- **Significance:**
 - This will help the SSE to leverage **existing infrastructure and client relationships** with onboard investors, donors, and social enterprises.
 - Certain tax incentives allowed under the recommendation would encourage **participation in the culture of 'giving'** among various stakeholders.
 - It would encourage banks and other investors to participate with non profit organisations and thereby making social and economic growth more inclusive.

Social Stock Exchange (SSE)

- The idea of the **Social Stock Exchange (SSE)** as a platform for listing social enterprise, voluntary and welfare organisations so that they can raise capital was mooted in the Union Budget 2019-20.
 - **Social enterprise** can be defined as a non-loss; non-dividend paying company created and designed to address a social problem.
- It works under the market regulator **SEBI**.
- The aim of the initiative is to help **social and voluntary organisations** which work for social causes to **raise capital as equity or debt or a unit of mutual fund**.
- It provides new and cheaper sources of **financing for social welfare projects**, while showcasing India's independence from foreign aid .
- SSE already exists in countries such as Singapore, UK, Canada among others. These countries allow firms operating in sectors such as health, environment and transportation to raise risk capital.

Way Forward

- India is a home to more than 2 million social enterprises (non-profits, for-profits), hence the recommendations regarding listing of the Non Profit Organisations on social stock exchange need careful planning. While formulating such recommendations for India, it is required to have an extensive and **cautious approach in terms of its accreditation, valuation and monitoring**.
- There is a need to learn from the other countries e.g. In London, where SSE acts more as a **directory connecting social enterprises with potential investors**, while in **Canada** as an online platform where even retail investors can invest in funds or companies with social impact.

Source: TH