



Report on Social Stock Exchanges

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Why in News

A **technical group on Social Stock Exchanges (SSEs)**, constituted by the **Securities and Exchange Board of India (SEBI)**, has submitted its report.

- SEBI set up the technical group in September, 2020 under the **chairmanship of Harsh Bhanwala**, former chairman of **NABARD**.
- Earlier, a **Working Group (WG)** on the SSE, **chaired by Ishaat Hussain**, submitted its report in June 2020.

Key Points

- **About Social Stock Exchanges (SSEs):**
 - 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 was **proposed to be set up 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.
 - 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 capital.

- **Recommendations of the Group:**

- **Type of the Organisation:** Political and religious organisations, trade organisations as well as corporate foundations should **not be allowed to raise funds through SSEs.**
- **Eligibility: For Profit Enterprise (FPE) and Not for Profit Organisation (NPO)** will be eligible to tap the SSE if **they are able to show their primary goals are social intent and impact.**
 - Entities listed on SSE will have to disclose their social impact report on an annual basis covering aspects such as “**strategic intent and planning, approach, impact score card**”.
 - **NPOs** are usually structured as non-governmental organisations, **Section 8 companies**, trusts or societies. **FPEs** can be private limited companies, partnerships or sole proprietorships.
- **Different Modes of Fund Raising:**
 - **For NPOs**, fundraising through equity, zero coupon zero principal bond, development impact bonds, social impact fund with 100% grants-in grants out provision, and donations by investors through mutual funds.
 - **For FPEs**, fundraising through equity, debt, development impact bonds, and social venture funds.
- **Eligible Activities:** Social enterprises can engage in activities in such as:
 - **Eradicating hunger, poverty, malnutrition and inequality;** promoting health care (including mental health) and sanitation; and making available safe drinking water.
 - **Promoting education, employability** and livelihoods.
 - **Promoting gender equality**, empowerment of women and LGBTQIA+ communities.
 - **Ensuring environmental sustainability**, addressing climate change (mitigation and adaptation), forest and wildlife conservation.
 - **Promoting livelihoods for rural and urban poor**, including enhancing income of small and marginal farmers and workers in the non-farm sector.
 - **Slum area development**, affordable housing and other interventions to build sustainable and resilient cities.

Way Forward

- As the Covid-19 effects on the world economy show, it is critical for public and private sources of capital to come together and develop ingenious methods to ensure that capital flow to the social sector is unhindered and capital is utilised effectively to generate a lasting impact for the community.

- Institutional support through SSEs ensures that more investors are encouraged to integrate **environmental aspects** (such as resource conservation, environmentally sustainable working practices), **social aspects** (including privacy, data protection, employee welfare) and **governance aspects** (like board diversity, conflicts of interest resolution mechanism, independent oversight of management) into the evaluation of enterprises, moving beyond financial statements.
- To this end, all efforts need to be directed to make sure that an **enabling regulatory environment** is created for the planned SSE with a minimal compliance burden imposed on the enterprises, social entrepreneurs and investors.

Source: IE