# Unnati Becomes the First Entity to List on the Social Stock Exchange

**Source: BS**

## Why in News?

Recently, **SGBS Unnati Foundation (SUF)** became the first entity to list on the **social stock exchanges (SSE).** The Unnati program of the foundation provides vocational training for the underprivileged and unemployed youth in the age group of 18 to 25 years.

- **SUF,** a **not-for-profit organization (NPO),** was incorporated in **2011.**
- A **Not-for-Profit organization** after registering with **Social Stock Exchange** may raise funds on SSE through issuance of **Zero Coupon Zero Principal Instruments.**

## What is the Social Stock Exchange (SSEs)?

- The idea of the Social stock exchanges **(SSEs)** as a platform for listing social enterprise, voluntary and welfare organizations 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 **Security and Exchange Board of India (SEBI)**.
    - The **aim** of the initiative is to help **social and voluntary organizations** 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 .
- SEBI had permitted social enterprises registered on **SSEs** to raise funds through **Zero Coupon Zero Principal Bonds (ZCZP).**

## What is the Zero Coupon Zero Principal (ZCZP)?

- **About:**
    - The **ZCZP bonds** do not give any interest, and investors will not get any money back on the maturity of the bond.
    - The ZCZP bonds **issued by non-profit organisations** are listed on the SSE. They **are not available for trading in the secondary market,** but they can be transferred to legal heirs since they are issued in dematerialised form.
    - Similar ZCZP instruments issued by for**-profit organisations** can be listed on main board or SME platform of exchanges and **are available for trading in secondary market.**
- **Benefits:**
    - ZCZP is akin to a donation made to a charity. There is **greater transparency about the objective of the social enterprise.** The end use of the funds can also be monitored since the enterprises have to disclose details of money utilised and balance amount remaining to exchanges.
    - The listing provides visibility to the social enterprises and helps them **to approach the public at regular intervals if they can show good outcomes.**

## UPSC Civil Services Examination, Previous Year Question (PYQ)

**Q. With reference to the Indian economy, consider the following statements: (2020)**

1. ‘Commercial Paper’ is a short-term unsecured promissory note.
2. ‘Certificate of Deposit’ is a long-term instrument issued by the Reserve Bank of India to a corporation.
3. ‘Call Money’ is a short-term finance used for interbank transactions.
4. ‘Zero-Coupon Bonds’ are the interest bearing short-term bonds issued by the Scheduled Commercial Banks to corporations.

**Which of the statements given above is/are correct?**

**(a)** 1 and 2 only
**(b)** 4 only
**(c)** 1 and 3 only
**(d)** 2, 3 and 4 only

**Ans: (c)**

**Exp:**

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note and held in a dematerialized form through any of the depositories approved by and registered with SEBI. Hence, statement 1 is correct.
- Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note, for funds deposited at a bank or other eligible financial institution for a specified time period. CDs can be issued by (i) scheduled commercial banks excluding Regional Rural Banks (RRBs) and Local Area Banks (LABs); and (ii) select all-India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI. Hence, statement 2 is not correct.
- Call money is a short-term, interest-paying loan from 1 to 14 days made by a financial institution to another financial institution. Hence, statement 3 is correct.
- A zero-coupon bond is a debt security that does not pay interest but instead trades at a deep discount, rendering a profit at maturity, when the bond is redeemed for its full face value. Hence, statement 4 is not correct.

**Therefore, option (c) is the correct answer.**