

## A STUDY ON SOCIAL STOCK EXCHANGE IN INDIA

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### ABSTRACT

*The emergence of “A parallel social economy with its own institution and governing structure “have been paradigm in the market. Social and finance in relation have peculiarity by a range of convoluted structure, instruments and players. This mode with intricate dualism is the Social Stock Exchange. A platform attracting ethical investors to indulge in investments demanding, combination of financial return with inclination of social or sustainable growth and development of economy and on the other hand catering to profits flowing in social organisations by raising funds. Few global models on the exchange list are United Kingdom followed by Canada, Singapore and Kenya has enabled a single platform which accesses to vital investors in the market. Currently SSE is operating in Brazil, South Africa, gearing up its investments Indian market has also profound by introduction of Social Stock Exchange. This proposal was initiated in The Union Budget for 2019-20 allowing investors to trade exclusively in companies with social and environmental goals. Heading towards more commercialised structure of social business operating as a charity or foundation by bridging gap between capitalist objectives of business and raise the requisite societal equity. Though social stock exchange is at a nascent stage in India, definitely sees improve the quality and quantum of welfare initiatives. This paper aims to study the prognosis on the government bureaucratic rules and regulation of SSEs establishment in Indian market and analysis on awareness of SSE by social enterprises and voluntary establishments.*

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**Keywords:** Social Stock Exchange (SSEs), Social Enterprise, Voluntary Organisation.

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### Introduction

The term “Social” dates back from 91 - 88 BC, originated from Latin – Socii indicating Allies. It combines various terms and principle for instance Social justice, social capital, Social psychology, social realism. The social question arising the essence of early socialists striving of competitive market societies had no impact in “liberty, equality and fraternity “for the citizens. Socialist has been often interchanged with “co-operative”, “mutualist”, “associationist”, and “collectivist” in terms with the economic enterprises socialists argues in vary to the private enterprises and corporate organisations favour to capitalism. Evolution of socialism lead to development of material, economic forces and factors of human behaviour and also its social environment. This new-fangled society have reconsidered in distribution of policies of the government aiming to induce resources in public interest.

Improvement in Finance, Social and Environmental welfare was directly impacted in proportion to the emergence of Social Enterprises and Voluntary Organisation. The organisational structure is in two dimensions such as for-profit or non-profit to form a community interest company, a benefit corporation, a social business, a company limited by guarantee or a charity organisation. Having both business goal and social goal, social enterprises and voluntary organisation hold businesses in a financial sustainable way.

The various thread of organisation in common to Social enterprises can be classified into Trading enterprises, financial institutions, Community organisations and Non-Governmental organisations and Charities. This distinct concept was first developed in late 1970 in United Kingdom owning its three values and two paradigm shifts which were

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- A common ownership having one voting share and various forms of investment
- Democratic governance

The principles were:

- Trading and finance viably independent
- Generating social wealth
- Functioning in environmental responsible way.

Austerity, political uncertainty and steep competition for public sector work with rapidly changing environment for social enterprises have impacted flow of funds for various social enterprises, which has led to adopting an increasingly commercial mindset by these organisations. The major drawback was accessing to finance which was neither have the unlimited access to capital nor the required recognition of their impactful work. One of the possible ways of solving these problems is the creation of Social Stock Exchange. The process of their formation is supported by the government in many countries, because they are seen as really effective tools for solving these problems. They are considered as platform in the social sphere, with different structure rather than a conventional stock exchange market, strategy and norms from the non-profits, responding to socio-political changes and problems, and producing valued results for the society through raising capital for their program.

Social Stock Exchange are financial institution that has emerged in some countries as a supportive financial mechanism for the headway of social enterprises. The history of its evolution begun in 2013, having purpose or mission of the platform, the device employed to regulate social business issuers, its regulatory status and devices employed to regulate investors.

The Social Stock Exchange in various countries are:

- The social stock exchange, United Kingdom
- The social venture connection, Canada
- The impact exchange, Mauritius/Singapore

SSE commits to accomplish welfare in society by establishment of a regulated market for transactions in securities. The aim of SSE mission signals to potential users, investors and issuers inclining towards increased capital flow with stimulated inclusive governance by instituting requirements that shape issuers leadership.

Narrowing down towards India, the government has on July 5th 2019 proposed Union Budget for the year 2019 -2020 brought major significance on Social Enterprises and Voluntary Organisation, paving a way towards revolution of Social Stock Exchange into the Indian Market. This implies that there is a shift towards sustainable management with raise in capital for social welfare and also the environment. This stock market is under governed by Securities and Exchange Board of India catering to list social establishments and voluntary organisation to enhance their capital, debt or in forms of units like a mutual fund. Gearing towards development is for health, transportation, education and environment by bringing in equity market closer, encouragement of foreign investors. Innovation of conventional stock market into "an electronic fundraising platform", Social Stock Exchange in India is regulating for ease of accessibility leading to increase in flow of funds into sustainability management and welfare development in the environment.

#### **Literature Review**

- Bandini presented a research paper on Social Stock Exchanges - Innovation Financing for international development
- Karen Wendt presented a research paper on Social Stock Exchanges - Democratization of Capital Investing for Impact
- Rahul and Meyyappan presented an article on India Proposes Social Stock Exchange
- Simone, Perla, Luisa and Maria presented a research paper on Determinants of Attractiveness in Social Stock Exchange

#### **Research Methodology**

- **Sources of Data**
  - Primary Data - Primary data was collected through the online survey were questionnaire was sent to social enterprise and voluntary organisation across India. The cities covered in this survey are Delhi, Karnataka, Tamil Nadu, Kolkata, Mumbai, Rajasthan.

- Secondary Data - This Research is descriptive in nature and brief about the social stock exchange which is based upon the secondary data, the relevant data is collected from various journals, blogs, research paper, websites and articles.

**Sample Size**

The online survey is regarded as advantageous since they can overcome place and time constraints. The survey was conducted as such that the investors answered it in their own preferred time. Hence, the data were collected through mail questionnaires from the 50-sample respondent across India.

**Objectives**

- To study the awareness of Social Enterprises and Voluntary Organisation
- To study the government bureaucratic rules and procedure.

**Limitation of Study**

- The study was conducted focusing on India only
- The sample size was limited.
- The period of study was short.

**Data Analysis and Interpretation**

- Awareness of Social Enterprises and Voluntary Organisation

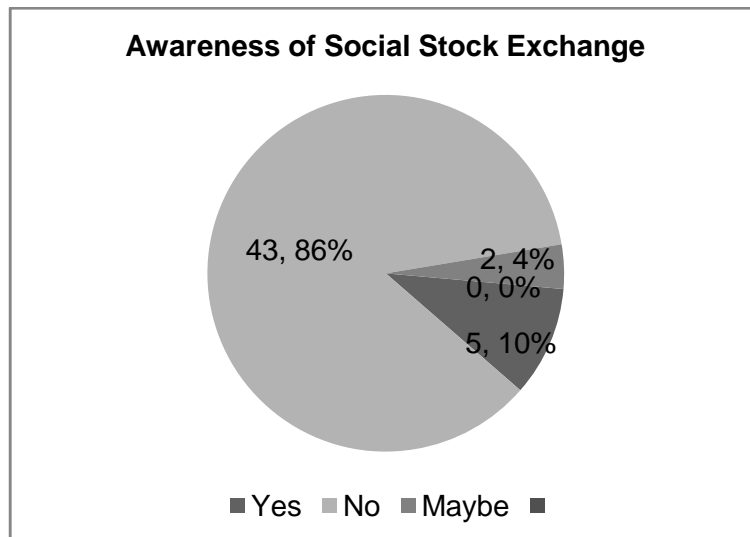
**Table 1: Social Enterprise and Voluntary Organisation in Various Regions Considered in the Survey**

Cities in India	Social Enterprise	Voluntary Organisation
Delhi	6	8
Karnataka	8	9
Mumbai	4	2
Kolkata	1	-
Tamil Nadu	4	6
Rajasthan	2	-
<b>Total</b>	<b>25</b>	<b>25</b>

**Data Description**

The above table describes the various cities in India where 50 online Survey was conducted with Social enterprise and Voluntary Organisation in India.

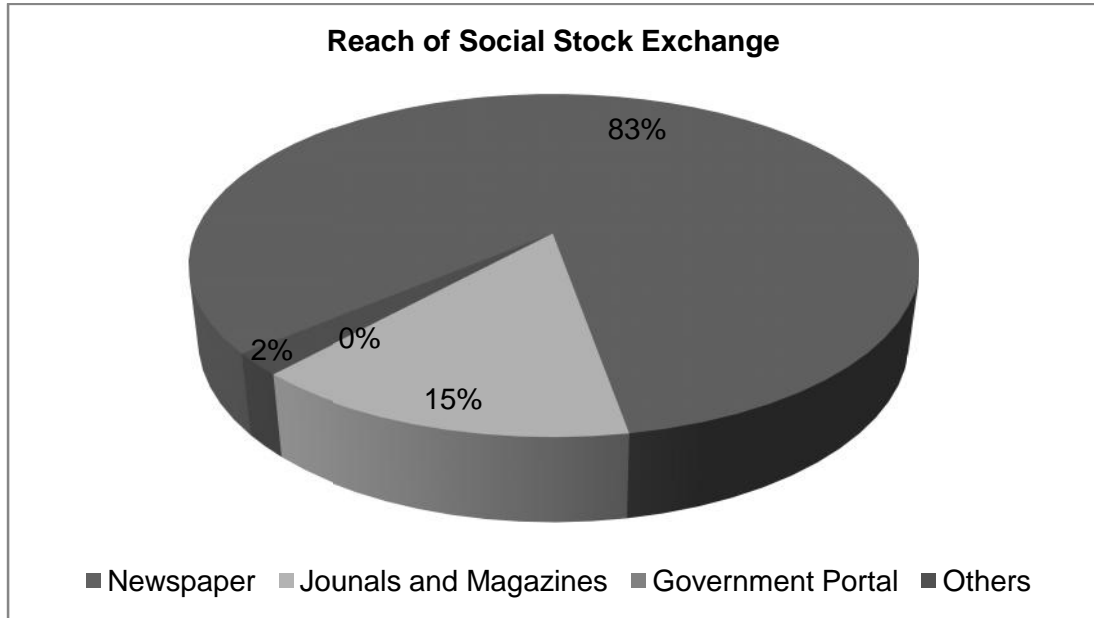
**Table 2: The Awareness about Social Stock Exchange in Various Cities in India**



**Data Interpretation:** This Pie Chart depicts the awareness of Social Stock Exchange by the Social Enterprises and Voluntary Organisation from various regions in India. The Regions included in this survey are Delhi, Karnataka, Tamil Nadu, Kolkata, Mumbai, Rajasthan.

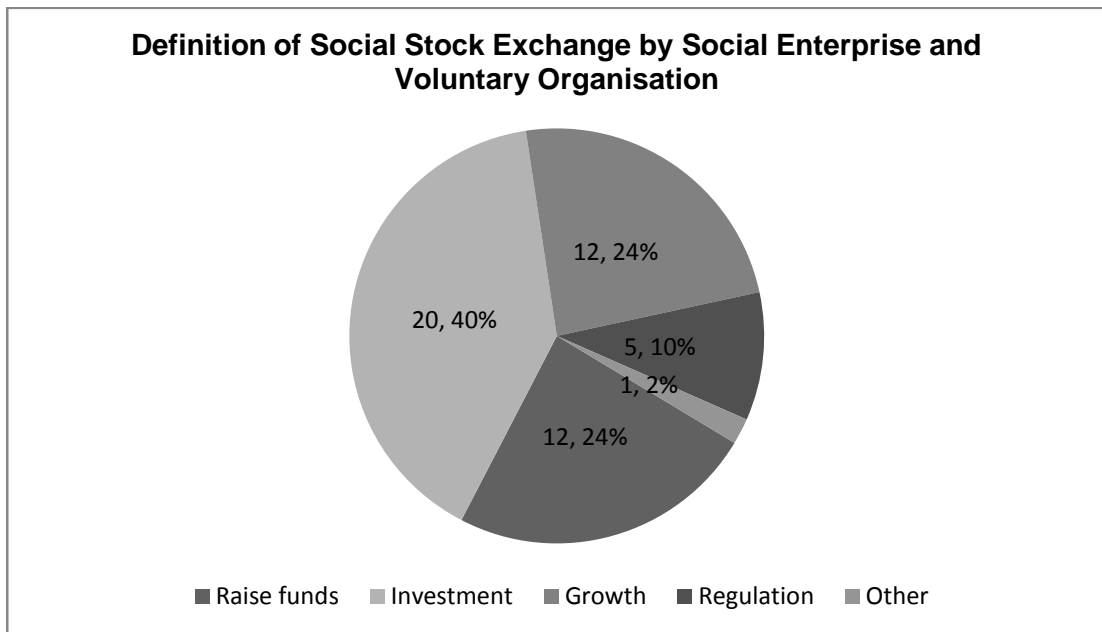
The overall awareness by Social Enterprise and Voluntary Organisation 10% (Yes), Unawareness by them was 86% (No) and some have the knowledge of Social Stock Exchange was 4% (Maybe).

**Table 3: Reach of “Social Stock Exchange” to the Social Enterprise and Voluntary Organisation**



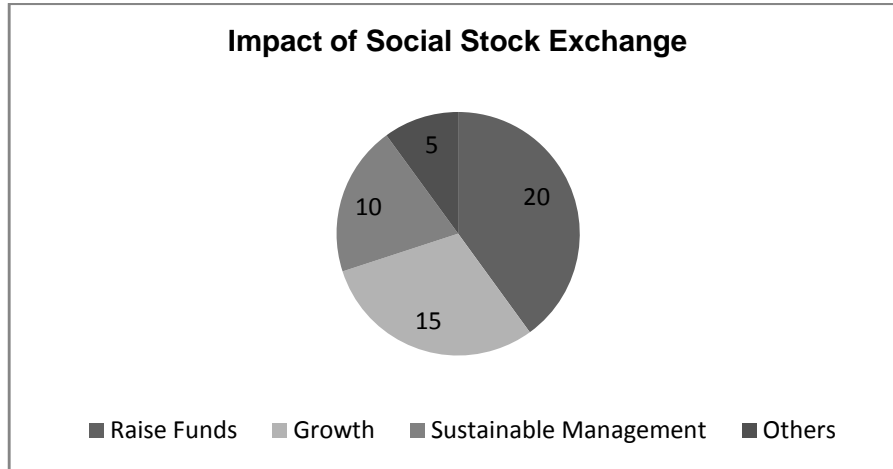
**Data Description:** The Pie Chart depicts the various means in which awareness of “Social Stock Exchange” was being made. Newspaper- 83%, Journals and Magazines - 15%, Government Portal - 0%, Other -2%.

**Table 4: Social Stock Exchange in Definition of Social Enterprise and Voluntary Organisation**



**Data Description:** The above Pie Chart depicts the various definition in accordance by the Social Enterprise and Voluntary Organisation were Raise funds – 24%, Investment- 40%, Growth- 24%, Regulation-10%, Other- 2%.

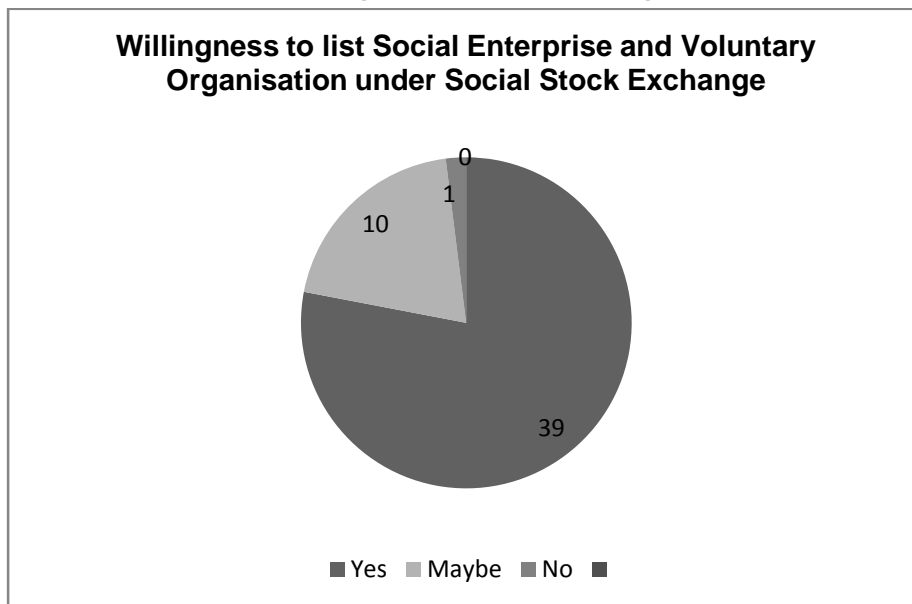
**Table 5: Impact of Social Stock Exchange on Social Enterprise and Voluntary Organisation**



**Data Description:** The above table describes the various social enterprises and voluntary organisations' opinion on the impact of Social Stock Market on the business activities.

Raise Funds – 40%, Growth – 30%, Sustainable Management – 20%, Others - 10%.

**Table 6: Willingness by the Social Establishment and Voluntary Organisation for listing in Social Stock Exchange**



**Data Description:** The above Pie Chart depicts the Social Enterprises and Voluntary Organisations' willingness for listing them under the Social Stock Exchange.

Yes – 78%, Maybe – 20%, No - 2%.

- Government Bureaucratic Rules and Procedure**

Indian Government have placed a firm step in announcement of Social Stock Exchange in the Union Budget 2019 – 2020, this is formulated attracting both foreign funding and philanthropic foundations who are inclined towards social or environment. The various investments with are catered either as a part of their requirements being environmental, social, governance-oriented fund or project related investment scheme under which us foundation invest sum portion of corpus into investible securities.

This proposal has narrowed the sector such as Social Enterprises and Voluntary Organisation, listing them under Social Stock Exchange governed by Securities and Exchange Board of India. Aiming to have sustainable flow of funds by raising capital, debt or equity is moving from conventional stock market to an innovative electronic fund-raising platform.

The inefficiency and insufficient division of funds due to lack of market ethical investors which led to governments intentions to support the activities of the social enterprises and voluntary organisation.

A significant hurdle was gathering of information by the two parties who were the social enterprise as well as the prospective investors in the market. This gap had impact on the investment even though the Indian Market attracts foreign capital having return in terms of profit and the role of start-ups by entrepreneur towards social enterprise created complexities.

Therefore, to bridge the gap Government of India has regulates with bureaucratic mechanism for the social enterprises and Voluntary Organisation to list them under conditions in terms of investment and creation of instruments with disclosure and other transparency to set standards by the board. Adhering to the rules and regulations by Exchange Board thus, allowing liquidity in instruments for the social enterprise and voluntary organisation.

The implementation of this concept in Indian Market is unclear with its legislations and there is an urgency in formulation of a New Framework for Social Stock Exchange in the India. The unclarity in the definition of "social enterprise" or "voluntary organisation" has not been specified. In comparison with the global, social enterprises have a societal or environmental core mission at their work and carry on its activities in a financially sustainable manner, legally registered under as a non-profit organisation or co-operative or small non-profit entities? Under the governance of SEBI, defines "Social Enterprise" for intension of social venture funds and its not explicit if the same definition will cater to the social stock exchange. The social stock exchange umbrella has included voluntary organisation under this proposal.

Official Social Stock Exchange may not currently list the Social enterprises or Voluntary Organisation since, the Conventional Social enterprises who operate as non-profit in nature or as charitable trust or societies or limited liability partnership must comply with the necessities to disclose and transparency may be a barrier to practicality or viable in the Exchange market. There is unfavourable or restrictions under the governance by the Social Stock Exchange in issuance of instruments in the market by the Social enterprises or the voluntary organisation due to conventional tax laws that has been levied on these instruments as well as the organisations. Therefore, the tax laws have to be refined and solidified in terms and conditions to the new Social Stock Exchange in building up a Framework guiding and promoting "Social Success Note" that caters to issuance of Freely transferable instruments by Voluntary organisations or limited liability partnership.

In Indian market, various social enterprises substantiate its operations under the umbrella of "Non-profit" organisation therefore, availing tax exemptions and subsidies for carrying out their activities. While, listing under Social Stock Exchange the liquidity flow is heightened which is a challenging situation for the tax payment made by these organisations having direct proportion to their exemptions or benefits availed. Therefore, the Government must lay standard guidelines, rules and regulation in enabling these organisations to be listed under the Social Stock Exchange by payment of certain charges for the listing without operating on risk of losing their tax-exempt status.

The securities and exchange board of India must study the various existing Social Stock Exchange to formulate the entire framework with regulation that govern the entire Indian Social enterprise and voluntary organisation or would limit its access to certain institutions or sophisticated investors in the market. The government have to measure the criteria that will qualify to list social enterprises to under take its activities at the intersection the finance and their philanthropic nature.

However, these great opportunities will be efficiently utilized only through government legal and regulatory tool. Otherwise it will adversely affect the interest of the potential investors, stakeholders who are addressing the social and environmental welfare.

### Findings

- Indian government has not defined the term "Social Enterprise", which is creating a vagueness in the Social Stock Exchange Umbrella.
- The guidelines in the overall cycle of the Social Stock Exchange norms have no formal procedure laid.

- Creating liquidity in the investments by the investors and also those social enterprises and voluntary organisations listed in the Stock Exchange have no clarity in the provision made for their benefits in terms of incentives.
- There is no formulation of tax imposition or other benefits that regulates the new framework of social stock exchange for the social enterprise or the voluntary organisations.
- There is widened gap in the necessities needed by the Social entrepreneur, Social enterprises and Voluntary Organisation with the vague proposal of introducing Social Stock Exchange without any mission in the Indian Market.
- There is lack of awareness amongst various large-scale and small-scale Social Enterprises and Voluntary Organisation in India.
- There is no formal proposal shared in regards of Social Stock Exchange by the Government of India to various social enterprises and voluntary organisation.

### Conclusion

A whole new ecosystem and open market accessible to entrepreneurs, social enterprises, and voluntary establishment that caters to free movement of funds, adhering to sustainability in the management and its activities, attracting the ethical investors in the Indian Market. Government must draft rules and regulation or public consultations by removing hurdles for the existing stakeholders understanding their necessities and incline the market for social and environmental welfare of the nation. Educational Programs must be induced to create awareness amongst the social workers on the benefits available in the market in regards to the Social Stock market. The Indian regulator body Securities and exchange board of India must have a framework that covers all social enterprises guiding under newly established standard bureaucratic rules and producers and eliminating the conventional regulation.

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