

SOCIAL STOCK EXCHANGE: A GLOBAL PERSPECTIVE WITH INDIAN FEASIBILITY

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Abstract

In recent years, the idea of Social Stock Exchange (SSEs) has become more well-known as a way to support social enterprises and organizations with an impact. Are stock exchanges that make it easier to trade shares issued by nonprofit organizations, social businesses, and other organizations with a social mission. A new generation of investors who are interested in social effects as well as financial profits may be drawn to since they have created new opportunities for socially conscious investing. With an emphasis on the viability of SSE in India under SEBI norms, this research study intends to understand what SSE is, and how they work and undertake a comparative analysis of SSE globally.

The paper's structure broadly is as follows: The methodology of the study is described here and then a comprehensive case study on India. An outline of the SSE, including its features, and prospective effects, is given in this research paper. Then follows, an analysis of the major conclusions for each country SSE is presented. In order to make a comprehensive and informative comparison of SSE implemented world over including that of India's, this study will explore and analyze their organizational frameworks, legal frameworks, and regulatory frameworks. Six SSE that had been implemented—or, in the case of India, newly established—in various countries were chosen for research. The report mostly uses secondary research.

The intention of this paper is to comprehend the idea of SSE and their history.

- *To assess international efforts related to SSE.*
- *To venture into the advantages and disadvantages of SSE.*
- *To delve into legal structure of SSE.*
- *To determine whether social stock markets in India are feasible under SEBI regulations.*
- *To offer advice on the challenges faced by SSE in India.*

I. Introduction

Smt. Nirmala Sitharaman, India's then Minister of Finance for the financial year of 2019 to 2020 laid out the creation of an electronic platform for fundraising called "Social Stock Exchange" that would fall within Securities and Exchange Board of India's (SEBI) supervisory purview and be used to list nonprofit organizations and

social enterprises that work to realize social welfare goals for them to raise money as equity, units similar to mutual funds or debt. The Working Group on Social Stock Exchange was instituted by the SEBI, and on June 1, 2020, it delivered high-level recommendations. The SEBI first established in 2020 a working group and a Technical Group in 2021 to create the SSE

framework. The framework for SSEs in India was completed as of 2021, and the initial SSE was established.

The Social Stock Exchange's goals are to provide a regulated platform that connects donors with social enterprises, a system for ensuring high standards of financial reporting and social effect and encourage the establishment and financing of social companies²⁷³. In India, the social stock exchange is a novel idea. The idea is based on the idea that, with increased investment, the social sector can significantly contribute to India's social and economic development. Social stock exchange plans to grow into the social sector by allowing various funding sources to collaborate on a single platform with consistent reporting, measurement, and standards frameworks.

In 2003, Brazil introduced the first SSE in the world by creating the Bolsa de Valores Socio ambientais (BVSA)²⁷⁴. Since then, stakeholders have established SSE at various nations, including Canada, Singapore Portugal the UK, and South Africa. The intention of these instituted SSEs has been to resolving the socio-environmental problems by resorting to resources from the financial market. For instance, when in 2013 the SSE of United Kingdom was instituted its focus was on assisting companies that have a beneficial socio-environmental bearing. Broad Based Black Economic Empowerment Framework, which was formed in 2006, governs the South African Social Stock Exchange (SASIX). Anyone can invest in the social investment initiatives listed in SASIX, which aims to increase the country's social investment options. The project offer would expire, though, if not enough money was raised within that time frame.

²⁷³ Aditya Bhayal, *Social Stock Exchange – A Breakthrough for the Impact Investing Sector*, INDIACORPLAW (Nov.7,2017), <https://indiacorplaw.in/2019/11/social-stock-exchange-breakthrough-impact-investing-sector.html>.

²⁷⁴ Anushree Parekh, Shivina Jagtiani, Amiya Walia, *Creating A Truly "Social" Stock Exchange- Framework Study Of Seven Global Exchanges And India's Proposed Social Stock Exchange*, ICNL, 1–87, (2021), <https://www.samhita.org/wp-content/uploads/2021/03/India-SSE-report-final.pdf>.

The following two types of social enterprises are recognized by Social Stock Exchange as being actively involved in making a positive social influence and upholding their object of social engagement.

i. Nonprofit organization

ii. A for-profit social enterprise

Any organization, whether a not-for-profit organization (NPO) or for-profit social enterprise (FPE), must satisfy all three of the requirements listed in Regulation 292E (2) of the ICDR Regulations attempting to achieve the predominance of the social bearing. In a nutshell, these conditions demand that the company engage in activities listed in Regulation 292E(2)(a) and that it focusses on backward and disadvantaged sections of the society whose performance has been worse than expected in terms of central or state government development priorities²⁷⁵.

II. Global Initiatives in social stock exchange

SSEs have been developed all over the world to allocate funds and resources to nonprofit social organizations. However, depending on the socioeconomic ecology, the involvement of the business sector, and the involvement of the government in social and environmental development, their form and design have varied.²⁷⁶ The majority of the official websites of the world's SSEs are either inaccessible or do not offer all the necessary details to understand SSE and their scope. For instance, the UK's SSX and Singapore's IIX Institute focused on being information suppliers to everyone, either for free or at a very low cost.

All SSEs, with the exception of SASIX in South Africa, offer services to help social businesses expand their capacity. These services range from technical assistance to business

²⁷⁵ Securities and Exchange Board of India, Circular on Governing Council for Social Stock Exchange, SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141(Issued on October 13, 2022).

²⁷⁶ Third Sector, <https://www.thirdsector.co.uk/social-stock-exchange-launched-12-member-companies/finance/article/1185336> (last visited April 21 2023).

counselling, bootcamps (in Canada), networking opportunities, and advice on legal and financial matters (in the UK), among others. Numerous SSEs provide a variety of financial options for money raising. A crowd funding platform given by Brazil and Portugal, JIIM will offer equity and debt to businesses in Phase 2 in contrast to Jamaica's JSIM, which only accepts donations. Canada's SVX offers loans, preference shares, and private equity²⁷⁷.

Given that Social Stock Exchange is still in its infancy in the majority of nations, including India, there is a lot of room for innovation. In terms of available financial instruments, there is plenty of space for creativity. Singapore's IIX launched the Women's Livelihood Bond to support gender equality. Since "not-for-profits" cannot produce earnings and dividends for stakeholders, most "not-for-profit" organizations were ineligible to raise stock and preferred shares.

The study of seven SSE revealed a common pattern: developed nations like the Canada, Singapore, and UK frequently use their SSEs to cultivate profound competent effect, a more advanced capitalizing platform, and advanced market space procedures to impersonate the classical stock exchanges. They emphasize social enterprises that are "for-profit." Impact funds are allowed to list in Canada as well. Regardless of what they do, non-profit listings are rare; instead, the focus is still on 'non-profits' that generate income²⁷⁸.

III. SSE in India

SEBI regulates the functioning of SSE. There are two kinds of social enterprises: NPO and FPE and these should fulfil the conditions given in Chapter X-A of SEBI ICDR Regulations set down by SEBI. As per SEBI ICDR Regulations, SSE shall constitute SGC which comprises of members

who can advance SSE and have necessary expertise.

A. Eligibility Criteria:

1. Predominance

Not less than 67% of revenues of immediate previous three years were generated by offering eligible activities to the targeted population members

Or

Not less than 67% of expenditure of immediate previous three years was sustained for offering eligible activities to the targeted population members

Or

Not less than 67% of the overall customer base or beneficiaries over the immediate previous three years are members of the targeted population who were offered the eligible activities

2. List of eligible activities for exhibiting primacy of social outcome

1. Eliminating hunger, malnutrition, poverty, and inequality.
2. Encouraging the provision of health services, such as mental healthcare, sanitation, and clean water.
3. Improving livelihoods, employment, and education.
4. Advancing LGBTQIA+ communities, woman liberation, and gender equality.
5. Maintaining environmental sustainability, dealing with climate change, including adaptation and mitigation, and conserving forests and wildlife.
6. Preservation of cultural, artistic, and historical heritage.
7. Education to support social enterprise incubators and encourage sports played in the

²⁷⁷ Sustainability Reporting Standards Board, *A Primer on the Concept of Social Stock Exchange, India*, 1-36, The Publication Department on behalf of the Institute of Chartered Accountants of India (2023).

²⁷⁸ Charles Ambrose A, Rahul George, Soumya L.J, Princy Nisha D, Dr.K.Alex, Dr.S.Mariadoss, A.Sarlin Venotha, *A Study on the Scope of Implementation of Social Stock Exchange India*, 12(8) TOJQI 326, 323-339 (2021).

pastoral areas, sports with national recognition, Olympic sports.

8. Assisting social enterprise incubators.
9. Assisting other platforms that improve the non-profit ecosystem in fundraising and capacity building.
10. Improving the income of marginal and small-scale farmers and non-farm employees in the non-farm sector.
11. Developing slum areas and providing affordable housing; and undertaking various interventions to create resilient and environmentally friendly cities.
12. Catastrophe management, encompassing efforts for assistance, recovery, and reconstruction.
13. Promotion of financial inclusion.
14. Facilitating the ability for underprivileged populations to access land and property assets.
15. Addressing the digital gap in mobile phone and internet access and handling concerns regarding misinformation and data privacy.
16. Enhancing the wellbeing of displaced people and migrants.
17. Any other sector that may instance to instance be designated by SEBI or the Indian government.

3. Target Segment

Social enterprise should focus on underserved or underprivileged population groups or geographic areas that do poorly in development agendas of state or central governments.

The entities excluded are corporate foundations, organizations or activities that are political or religious, professional or trade associations and corporations dealing with infrastructure and housing excluding affordable housing.²⁷⁹

B. Registered NGOs:

The four NPOs that are registered with SSE are

²⁷⁹National Stock Exchange Of India, <https://www.nseindia.com/sse#:~:text=Objectives%20of%20the%20Social%20Stock,social%20impact%20and%20financial%20reporting> (last visited on April 21, 2023)

1. Gramalaya Trust: It works in the field of hygiene, sanitation, water and educating the people of the same covering areas of rural, urban, coastal and tribal and promotes Self-help Groups among women of rural, urban and tribal and also involved in constructing low-cost toilets.

2. SGBS Unnati Foundation: The foundation provides vocational training to the underprivileged youth who are less educated and unemployed and enables comprehensive development by empowering families below poverty line.

3. Masoom Trust: This Trust strengthened the concept of Night School education.

4. Opportunity Foundation Trust: This Trust was established to support girl education and also for marginalized groups.

IV. Social Stock Exchange in Brazil

A. History and Structure:

As a constituent of the CSR, B3 (Brasil Bolsa Balcao, or the Brazilian stock exchange), introduced Bolsa de Valores (BVS) in 2003. B3 established BVSA to take capitalize on its experience like that of a stock exchange, at the same time also expanding the scope of its CSR initiatives, enhancing its credibility, and boosting arrangement with its traditional securities market. BVSA operated as a platform for funding that offered carefully regulated ecological and social initiatives. The organization's objectives were "to change a habit of charity into a culture of social investment"²⁸⁰ and "to act as a bridge between social and environmental organizations" and funders wishing to promote social effect on a stage that financed openness.

The official website of BVSA is inaccessible²⁸¹; as per B3's website, its actions were terminated in December 2018.

B. Regulation:

²⁸⁰ Danielle Zandee, *BOVESPA and the social stock exchange: mobilizing the financial market for development*, works.com/t/bovespa_cs.pdf (last visited on April 21, 2023).

²⁸¹ BVSA, <https://bvsa.co.za/> (last visited on April 21, 2023).

Only non-profits were allowed to register with BVSA. Non-profits organizations in the state of in Brazil are not authorized in distributing dividends to members of their organization and may assume the legal status of organizations or foundations. Any projects whose parent organization proved to be in violation of any laws or the partnership agreement signed by the sponsoring organization were subject to suspension or termination by BVSA. In the event of non-compliance, the SSE may, in accordance with its Resource Allocation Rules, redistribute funds created for the project of the violating organization.

C. Listing criteria and process:

Non-profit associations which were lawfully established in Brazil for at least three years and effort towards social or ecological goals may apply with their projects.

Organizations were only permitted to list one project per year throughout the BVSA's three annual rounds of project evaluation. Additionally, only one project could be listed per year by distinct units of businesses with the Corporate Identify.

The following criteria were being used to evaluate projects throughout the selection process: The project's framework was relevant to BVSA topics (defined as "health, education, literacy, citizenship, culture, education and training, psychosocial care, and environment"). The venture's procedural and monetary capability, the cost-benefit evaluation, the development's financial plan, the project's competence for recurrence and innovative nature. The sustainability of the organization and the qualifications of the technical team and quality and results of previous or ongoing initiatives and programs and potential for influence on public policies.

V. United Kingdom's Social Stock Exchange (SSX)

During a G8 meeting on social impact investment in 2013, Social Stock Exchange (SSX) of the UK was officially introduced in order to

"create an efficient, universally accessible buyers' and sellers' marketplace where impact investors and social impact businesses of all sizes could achieve greater impact either through capital allocation or capital raising," Pradeep Jethi and Mark Campanale founded SSX. The market's need for impact investment services served as additional inspiration for SSX. Initiatives like SSX were supported by the government of UK's prominence on money for social purposes, forces to launch a financial market for social cause, and programs.

The status of this stock exchange is not operating in its original manner. The official SSX website is down, and as of last information, 50 companies were listed on SSX in 2017. Operations and staff from SSX were transferred to the Impact Investment Network (IIN), a recently established firm that later became the Impact Group, in 2018. SSX focused on being a "first point of entry" into impact investing but did little to define the parameters of the impact investing market. Because of this, interested parties weren't aware how the new market compared to and differed from already-existing marketplaces. Due to this misunderstanding, other organizations began to limit their interaction with SSX and began to view it as a rival. The City of London Corporation, Panahpur²⁸², the Joseph Rowntree Charitable Trust, the Rockefeller Foundation, Big Society Capital, and the London Stock Exchange Group all provided funding for SSX. The Impact Investment Network (IIN), a recently established entity, eventually became the Impact Group in 2018, taking over the operations and personnel of SSX.

VI. Impact Investment Exchange (IIX), located in Singapore

Impact Exchange (IX), a public stock exchange for social organizations to generate cash, was established in Singapore in June 2013²⁸³. In order

²⁸² RESPONSIBLE INVESTOR, <https://www.responsible-investor.com/articles/ssx-rejig> (last visited on March 10, 2023).

²⁸³ ESCAP, https://www.unescap.org/sites/default/files/IIX%20Shujog_Case%20Study_24032016.pdf (last visited on March, 2, 2023).

to investigate "the idea of creating a stock exchange for social enterprises that would eliminate many of the barricades to market opportunity that currently exist and help them scale to their full potential.

In order to "effectively mobilize supply of mission-oriented capital, develop demand to absorb and deploy the capital, and bridge the gap between the two", IIX set out to build a strong ecosystem. In order to accomplish this vision, IIX established four methods to assist social organizations as they transition from the concept stage to the pre-IPO and mature stage.

SEM runs IX, and the Financial Service Commission of Mauritius oversees its operations. Regulations that apply to traditional securities in Mauritius¹⁹⁰ apply to the organizations that list on the IX platform. Securities issued through the IX platform are subject to IX's exclusive regulatory authority and cannot be traded through a different exchange platform. Social organizations, social investment trusts, enhancement finance organizations, social departments of "inclusive businesses," and NGO's are some of the entities that can use IX's platform. NPO groups are only permitted to list their bonds; for-profit social organizations may list equities, preference shares, and social asset funds may list their respective shares on the exchange.

VII. South African social investment exchange (SASIX)

In 2006, SASIX was established. Organizations with strong networks received the majority of financing, whereas others without these networks had less luck securing funding. To promote the distribution of charity contributions and give enterprises a dependable marketplace, SASIX was established and opened a system to aid social and commercial causes. The goals of SASIX were to **"build a culture of accountability for social performance among beneficiary**

organizations"²⁸⁴ and to "promote a new approach to public and corporate participation in social development."²⁸⁵ Through thorough due diligence and impact assessment processes, SASIX sought to strengthen the credibility of organizations and projects advancing social issues. It also aimed to raise the profile of lesser-known, more modest non-profit organizations.

SASIX's main goal was to give nonprofit organizations a platform to make use of charitable donations, SASIX²⁸⁶ Financial was founded to give social investors financial returns on their investments in locally focused businesses. SASIX stopped operating in 2017. The Johannesburg Stock Exchange housed SASIX. A licensed and supervised supplier of financial services, Cadiz African Harvest Asset Management (CAHAM), formed a partnership with SASIX Financial. A project's listing on SASIX was good for a year until it was replaced by another project.

VIII. Social Venture Connexion (SVX) in Canada

A. History and Structure:

In 2013 Social Venture Connexion (SVX) was introduced. Since 2019, it has operated as an independent nonprofit entity. The SVX was developed to respond to the increasing need for sustainable capital for social enterprises outside of funding and to promote a social innovation ecosystem across industries. By funding companies that address these concerns, SVX hopes to "create a market for good", "break the cycle of poverty, create opportunity, and build environmental sustainability".

B. Regulatory Requirements:

²⁸⁴Alliance magazine, *South African social stock exchange launched*, ALLIANCE (Apr. 08, 2023, 4:30 PM), <https://www.alliancemagazine.org/news/south-african-social-stock-exchange-launched/>.

²⁸⁵D. Bonbright, N Kyrattopoulou and L Iverson, *Online philanthropy markets: from 'feel-good' giving to effective social investing?*, THE ASPEN INSTITUTE (Apr. 08, 2023, 4:50 PM), https://assets.aspeninstitute.org/content/uploads/files/content/docs/pubs/n_spp_Keystone_OnlinePhilanthropyMarkets.pdf.

²⁸⁶CIVIL SOCIETY ONLINE, *Creating a Truly "Social" Stock Exchange* static/2020/07/21/NABARD_SSE_Study_report_nNqYkuD.pdf (last visited March 3,2023).

In addition to an internal and external review committee²⁸⁷, SVX has an autonomous board of six members that represent the financial and social funding industries. This board meets quarterly. SVX submits reports to the Ontario Securities Commission, which checks them for compliance with OSC requirements by looking at their financial statements and working capital. SVX is obligated to continuously disclose to the OSC any changes to its operations.

C. Listing criteria and process:

Social and/or environmental missions are part of the primary purposes of Canadian-established non-profit, for-profit, cooperative, and charitable organizations. According to SVX's Investor Manual, SVX is a good fit for both for-profit organizations⁹⁹ and non-profits looking for an integrated approach to financing their operations through "promissory notes, loans, loan guarantees, and mortgages".

SVX chooses ventures, funds, and organizations that have at least a year of operating history; are in the start-up, growth, or scaling stage and seeking investments of CAD 1 million to CAD 100 million; have "current revenue, customers, or investment"; "operate in clean technology, work and learning, health and well-being, food, and social inclusion sectors;" have leadership that is "coachable and responsive to feedback," "have a business plan that highlights recognizing of long-term finances, operations, and strategy," "have leadership with experience and expertise in the relevant impact area".

IX. Jamaica Social Stock Exchange (JSSE)

A. History and Structure:

The Jamaica Social Stock Exchange (JSSE) was introduced in 2019 by the Jamaica Stock Exchange (JSE). The Jamaica Social Investment Market (JSIM) and the Jamaica Impact Investment Market (JIIM), both of which operate on a single platform, were created as a CSR

activity of the JSE to support the mobilization of capital for social sector organizations²⁸⁸. Through the growth of sustainable social businesses, the JSSE's main goal is to facilitate sustainability in the sector and, ultimately, to see the Fourth Sector of the Jamaican economy emerges.

The Jamaica Social Stock Exchange (JSSE) seeks to support organizations working to address socioeconomic, environmental, and cultural issues in Jamaica. By emphasizing the 3 P's of People, Prosperity, and Partnership, the JSSE hopes to aid Jamaica in achieving the Sustainable Development Goals (SDGs).²⁸⁹

B. Regulation:

The JSSE is an independent corporation that was established and listed under the Jamaican Companies Act. It has a board of directors and a Selecting and listed Committee (SLC), which is made up of representatives from several stakeholder groups, including academics and others who are aware of Jamaica's social sector. The SLC is in charge of choosing and listed organizations and their projects.²⁹⁰ Throughout their listing period on the JSIM, projects must provide quarterly progress updates. A subsidiary of the Jamaica Stock Exchange (JSE), JSSE is housed under JSE.

The Charities Act, 2013 of Jamaica or the Rules for Co-operatives and Friendly Societies supervised by the Department of Co-operatives and Friendly Societies (DCFS) must be followed by charities when submitting their projects for listing on the JSSE. Both stipulate that all organizations that are listed as charities must either be charitable trusts or institutions that were founded for not-for-profit purposes, functioning for the assistance of public and making sure that their funds are not used for the personal gain of any member of the board, organization, or individual. Taxes are not

²⁸⁷ Sarah Dadush, *Regulating Social Finance: Can Social Stock Exchanges Meet the Challenge?*, 37 U. PA. J. INT'L L. 139 (2015), <https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=1906&context=jil>.

²⁸⁸ JAMAICA STOCK EXCHANGE, <https://www.jamstockex.com> (last visited Apr. 09, 2023).

²⁸⁹ Jamaica Information, <https://jis.gov.jm/house-passes-charities-act/> (last visited Apr. 09, 2023).

²⁹⁰ JAMAICA STOCK EXCHANGE, <https://www.jamstockex.com> (last visited Apr. 09, 2023).

required to be paid by organizations that are registered under this Act.

C. Listing criteria and process:

The Selecting and Listing Committee (SLC), a dedicated committee of the JSSE, is in charge of selecting and listing organizations and their initiatives. While social impact enterprises may submit applications to be registered on the JIIM once it is open, nonprofit organizations are qualified to apply to the JSIM. Every applicant must register locally with the Companies Office of Jamaica. Every applicant must have a social or ecological goal, and impact enterprises intending to be listed on the JIIM must have an economically feasible, justifiable business plan. The organization must submit bank statements, a tax identity number, identifying documentation, and submit to an audit by an outside party. It must include a summary that includes the estimated social impact, sustainability, the quantity of finance requested, information about the project leads, and who will be in charge of following track of progress.

X. KEY CONCLUSIONS:

A. Drive for SSE

Canada perceived their SSEs predominantly as an instrument to grow and expand their impact investing ecosystems, rather than a platform to advance money for wide range of social organizations.

On the alternative side, Jamaica is focused on growing its entire social enterprise financing environment and has subsequently approved a strategy aimed to aid for-profit social association's access funds through the securities market while assisting not-for-profit social organizations access funding. Adopting such a strategy will lead to the development of distinct marketplaces and, consequently, distinct trading platforms for for-profit and not-for-profit organizations.

B. Role of Regulations and Taxation Policies

The legal basis that enterprises can adopt the tax advantages they can obtain and offer, as well as their institutional ownership, is all governed by country-specific legislation. These rules affect how stakeholders interact with the organizations listed on SSEs. Some nations, including the UK and Canada, have created legislation for social businesses to formally recognize them as mixed enterprises with a social or environmental purpose. With special features that protect them from mission drift, some of these enterprises qualify for listing on the SSEs of these nations. The Jamaican Social Stock Exchange is dedicated to advancing similar legal status for social entrepreneurs. This kind of social enterprise recognition legislation may help SSEs maintain their focus on organizations with social and environmental aims at their core rather than income generation.²⁹¹

The SSE in India intends to function on self-declaration, with organizations determining whether they are interested in being classified as social enterprises and, as a result, agree to minimal requirements of reporting on social effect. This choice was made in light of the fact that even organizations without "impact" listed as their main goal are still capable of making significant and long-lasting social impacts. More businesses ought to do the same while having the freedom to choose the legal form that best suits their necessities. India would need to be careful in developing proper checks and balances to ensure faithfulness to social and environmental aims, though, in the absence of defined definitions and rules.

C. Inclusion for profit and Non-profit Organizations:

There are two schools of thinking on the integration of NPO's, irrespective of the majority of SSEs permit or aim to permit for-profit social firms to list. One method favors listing social

²⁹¹ B. Chhichhia, *Social stock exchanges- innovative financing for international development*, . LOYALA UNIVERSITY CHICAGO (Apr. 10, 2023), <https://www.semanticscholar.org/paper/SOCIAL-STOCK-EXCHANGES%E2%80%9393INNOVATIVEFINANCINGFORMissVijay/89e2c9d0e70a3631f504889fd23737825a52a794>

firms which have for-profit agenda that might give both economic and social and environmental rewards in order to preserve a key element of a standard stock exchange, namely, its capacity to facilitate transactions to the investors with financial incentives. The second method gives access to any entity with a social purpose, independent of registration or tax status, and matches them with appropriate investors who seek both economic and socio-environmental benefits and contributors who don't intend financial rewards in the case of non-profits.

Canada allows impact funds to list which include for-profit and non-profit. Jamaica also includes both for-profit and non-profit in SSE whereas Brazil only includes non-profit.

SSEs from developing nations like India, Jamaica and South Africa frequently try to create a stage which is open to everyone in an effort to close the financing gaps for not-for-profit organization.

D. Kinds of Financing Instruments:

SSEs allocate a range of funding mechanisms, from donation for NPO's and FPO's, with a range of monetary and environmental and social gains, according to the kinds of organizations. Canada, for instance, provides a range of instruments, including ordinary or preference shares, and limited partnerships.

In a similar manner, India has suggested using additional already-in-use mechanisms to fund success structures and impact bonds, such as SVFs and Mutual Funds (MFs) that are protected by SEBI's Alternative Investment Fund (AIF) criteria.²⁹²

E. Evaluating and Reporting Socio- Economic Impact

SSEs around the world work with both ensuring consistent and comprehensive impact

documentation to investors and developing frameworks to evaluate enterprises based on their social objective. Whereas listing organizations in Jamaica and Brazil are required to self-evaluate and self-report on a broad range of criteria, for-profit organizations in Canada are required to satisfy a minimal standard on internationally recognized norms such as GRI ratings and B Company Certification.

F. Business Model and Progression

The early 2000s saw the emergence of SSE. The first SSE, Brazil's BVSA, was established in 2003 and ran for the most duration (15 years) before being dissolved in 2018.

XI. Principal advantages of Social Stock Exchange

- Better market access - An SSE will crenulations, organized meeting place for funders and social enterprises with built-in regulation to ensure financial purity and accountability.
- Synergy between investors and investees with regard to social objectives - Due to the flexibility of investments and capital that would be offered on an SSE, the range of options would be substantially greater, enabling investors and investees with comparable missions and visions to interact easily.
- Performance-based giving - Since the performance of the businesses listed on an SSE would be tracked, it would foster a culture of giving that is motivated by performance (or social return)²⁹³.
- Zero Listing and Admission Cost - By levying minimal fees for registration and listing, SSE reduces costs for both issuers and investors/donors.
- Another opportunity for social enterprises: Up until now, the central and state governments have had the most responsibility for accomplishing sustainable development objectives. SSE will offer an alternative method of funding, promoting both new and ongoing social entrepreneurs.

²⁹² SEBI (ALTERNATIVE INVESTMENT FUNDS) REGULATIONS, <https://www.sebi.gov.in/legal/regulations/jan-2023/securities-and-exchange-board-of-india-alternative-investment-funds-regulations-2012-last-amended-on-january-9-2023-67273.html> (last visited on Apr 11, 2023).

²⁹³ NSE SOCIAL STOCK EXCHANGE SEGMENT, <https://www.nseindia.com/list-about-sse> (last visited Apr. 10, 2023).

- A rise in interest in impact investing as investors increasingly aim to provide social and environmental effects in addition to financial gains, there is a growing demand for impact investment. SSEs²⁹⁴ can assist in meeting this demand by offering a platform through which investors can locate investment opportunities that are consistent with their beliefs and impact-driven organizations can access funding.
- Greater accountability and transparency: By forcing impact-driven²⁹⁵ enterprises to report on their social and environmental impact, SSEs can encourage greater accountability and transparency among these organizations. As a result, the industry of impact investment may flourish, and investors' trust may be increased.
- Better access to capital: SSEs can offer social entrepreneurs and other impact-driven organizations a new source of funding since they may find it difficult to get traditional sources of funding. SSEs can assist in opening up new funding opportunities and fostering the expansion of the impact investing market by connecting these organizations with impact investors.
- Challenges with impact measurement: SSEs have a number of difficulties when attempting to gauge the social and environmental effects of the organizations that are listed on their platform. Currently, there is no accepted framework for calculating impact, and organizations may report their influence using a variety of indicators. Investors may find it challenging to compare the effects of various organizations and make wise investment choices as a result.

XII. The social stock exchange's limitations

- SSE (SSEs) has the potential to be an effective instrument for impact investment, but they also have a number of drawbacks that

could restrict its utility. The following are some SSEs' drawbacks:

- Insufficient investor demand there may still be a relatively small pool of investors ready to participate in SSEs despite increased interest in impact investing. This would restrict the funding options for impact-driven businesses and jeopardize the long-term viability of SSEs.²⁹⁶
- Limited pool of establishments fixated on making an influence: the pool of establishments fixated on making an influence that are acceptable for listing on SSEs may be limited. This might be caused by a number of things, including a lack of knowledge of SSEs, an inability for impact-driven organizations to achieve the listing standards, or a lack of incentives for organizations to list on SSEs.²⁹⁷
- Impact measurement difficulties: As was already said, it can be difficult to gauge the social and environmental effects of impact-driven businesses. This may limit the appeal of SSEs as an investment option and make it challenging for investors to gauge the effects of possible investments.
- Limited liquidity: Due to SSEs' potential lack of liquidity, it may be challenging for investors to purchase or sell shares in impact-driven companies that are listed on SSEs. This might make SSEs less appealing as an investment option, especially for larger investors that need liquidity.
- Regulation-related difficulties: SSEs operate in a complicated regulatory environment, which can make it challenging for them to function efficiently and legally. This might make it more expensive to list on SSEs and might reduce the number of companies that can do so.
- SSEs have the potential to be an effective instrument for impact investment, but they also have a number of drawbacks that could restrict their usefulness. To ensure the

²⁹⁴ SEBI FRAMEWORK ON SSE, https://www.sebi.gov.in/legal/circulars/sep-2022/framework-on-social-stock-exchange_63053.html (last visited on Apr. 11, 2023).

²⁹⁵ SEBI GOVERNING COUNCIL FOR SSE, https://www.sebi.gov.in/legal/circulars/oct-2022/governing-council-for-social-stock-exchange-sse_64000.html (last visited on Apr. 11, 2023).

²⁹⁶ ICNL Samhita, *Creating a Truly "Social" Stock Exchange*, <https://samhita.org/creating-a-truly-social-stock-exchange/> (last visited on Apr. 16, 2023).

²⁹⁷ iLEARN CANA, *Prospects and Challenges of SSE*, <https://ilearncana.com/details/Prospects-and-Challenges-of-Social-StockExchanges/2256> (last visited on Apr. 16, 2023).

long-term viability and impact of SSEs, these restrictions must be addressed.

XIII. Suggestions for improving the social stock exchange's functionality

The following ideas can help SSE (SSEs) be more applicable and increase their potential impact:

Boost investor awareness and educating the small pool of investors who are knowledgeable about impact investing and interested in investing in SSEs is a major issue for SSEs. The amount of funding accessible to impact-driven organizations could be increased by raising awareness and educating more people about SSEs and impact investment in general.

Create standardized effect measuring frameworks: Without such frameworks, it is challenging for investors to gauge how possible investments will affect SSEs. The creation of standardized frameworks may enhance the comparability and transparency of impact data, facilitating the decision-making process for investors.

Encourage collaborations between SSEs and conventional financial institutions. Asset managers and banks, for example, might be useful partners for SSEs. These collaborations may raise investor interest in SSEs and operate as a link between impact investing and more conventional sources of financing.²⁹⁸

Boost the number of impact-driven organizations in the pipeline a strong pipeline of impact-driven businesses that are suitable for listing on SSEs is necessary to support the long-term viability of SSEs. The pipeline might be expanded through initiatives to strengthen these organizations' capability, advertise SSEs as a viable source of financing, and offer organizations incentives to list on SSEs.²⁹⁹

Overcome regulatory obstacles SSEs must navigate a complicated regulatory landscape, which can make it challenging for them to conduct business efficiently and in accordance with the law. By addressing these regulatory issues, such as by establishing a more simplified regulatory framework for SSEs, it may be possible to lower entry requirements and expand the range of businesses that are eligible to list on SSEs.³⁰⁰

Overall, these recommendations may assist to increase the usefulness and impact of SSEs, spurring expansion of the impact investing market and encouraging social and environmental benefits in addition to financial gains.

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²⁹⁹ A. Singh, *India needs more social enterprises, but these five challenges are holding us back*, SME FUTURES (Apr. 17, 2023, 6:15 PM), *SME FUTURES*, <https://smefutures.com/india-needs-more-socialenterprises-but-these-five-challenges-are-holding-us-back/>.

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