



INDIAN JOURNAL OF  
LEGAL REVIEW

VOLUME 6 AND ISSUE 6 OF 2026

INSTITUTE OF LEGAL EDUCATION



## INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN – 2583-2344

(Open Access Journal)

Journal's Home Page – <https://ijlr.iledu.in/>

Journal's Editorial Page – <https://ijlr.iledu.in/editorial-board/>

Volume 6 and Issue 6 of 2026 (Access Full Issue on – <https://ijlr.iledu.in/volume-6-and-issue-6-of-2026/>)

### Publisher

Prasanna S,

Chairman of Institute of Legal Education

No. 08, Arul Nagar, Seera Thoppu,

Maudhanda Kurichi, Srirangam,

Tiruchirappalli – 620102

Phone : +91 73059 14348 – [info@iledu.in](mailto:info@iledu.in) / [Chairman@iledu.in](mailto:Chairman@iledu.in)



© Institute of Legal Education

**Copyright Disclaimer:** All rights are reserve with Institute of Legal Education. No part of the material published on this website (Articles or Research Papers including those published in this journal) may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher. For more details refer <https://ijlr.iledu.in/terms-and-condition/>

---

## SEBI'S SOCIAL STOCK EXCHANGE FRAMEWORK: BRIDGING PHILANTHROPY AND CAPITAL MARKETS

---

**AUTHOR** – AMISHA DUBEY, B.B.A LL. B (HONS.), SCHOOL OF LAW, NMIMS, NAVI MUMBAI.

**BEST CITATION** – AMISHA DUBEY, SEBI'S SOCIAL STOCK EXCHANGE FRAMEWORK: BRIDGING PHILANTHROPY AND CAPITAL MARKETS, INDIAN JOURNAL OF LEGAL REVIEW (IJLR), 6 (6) OF 2026, PG. 542-552, APIS – 3920 – 0001 & ISSN – 2583-2344. DOI – <https://doi.org/10.65393/IJLRV6I6456>

### ABSTRACT

The Social Stock Exchange (SSE) of India is a new effort to merge a social philanthropy system with market-controlled capital market mechanisms. Consolidating its SSE regulations, the Securities and Exchange Board of India (SEBI) issued a Master Circular dated January 19, 2026, which formalizes registration, fundraising, reporting, and governance of social enterprise regulations. Theoretically, this framework enhances transparency and accountability as it involves disclosures and reporting of impacts in detail. It also comes up with special instruments such as the Zero Coupon Zero Principal (ZCZP) bond which enables the donors to finance projects without any returns. Further, subsequent amendments introduced through SEBI circular dated April 15, 2026, have relaxed certain operational constraints, particularly in relation to registration timelines and minimum subscription requirements, reflecting a shift towards a more flexible and viability-oriented regulatory approach. The SSE however poses challenging questions regarding inclusivity and practicality. Strict compliance needs can be biased to the big and well-endowed organizations leaving the small charities out. In a more basic sense, the idea of social impact as an asset to be traded poses a challenge to the traditional rules of investment: the tools that do not produce any monetary profit are based solely on the motivation of donors. This article will analyze the design and objectives of the SSE framework of SEBI, the strengths and weaknesses of the framework, and possible lessons learned by looking at international cases. It states that the SSE is a forward-looking move to direct capital into social good, but its effectiveness will depend on the ability to strike a balance between the regulatory strictness and flexibility in the operations and a more realistic perception of investor incentives.

### 1. INTRODUCTION

The Social Stock Exchange in India came about because of a long-term requirement to invest more capital in social and development objectives. Historically, social enterprises and nonprofits depended on donations, grants and corporate social responsibility (CSR) funds. Finance Minister Nirmala Sitharaman made a clear proposal to establish a social enterprise segment in the stock exchange in the 2019 Union Budget. Following that, SEBI created a working group in 2019 to plan an SSE framework. SEBI gave the first SSE segment on February 22,

2023, when the National Stock Exchange (NSE) was given final permission to start a dedicated SSE platform. By the end of 2023 the initial social enterprise listings were on the SSE segments of the NSE and Bombay Stock Exchange.

The SSE aims at offering an alternative source of funds to the mission-driven organizations. Specifically, it targets to narrow-down the current funding shortfall in India in public welfare initiatives. The SSE provides registered nonprofits (and qualified for-profit social enterprises) with the opportunity to raise capital via specially created securities.

The January 2026 Master Circular of SEBI brings together all the earlier SSE guidelines in one comprehensive guideline. This is a significant regulatory step. Making the SSE formalized in terms of securities legislation today, SEBI demonstrates that social impact has ceased to be a marginal practice and is now a part of the capital markets. The Master Circular is not only supposed to provide a list of rules, but a comprehensive roadmap, including registration, fundraising, reporting, and governance of social enterprises that want to be funded by SSE. This ambition notwithstanding, SSE raises deep questions. It considers social impact as a type of investment with results instead of profit. As an illustration, the primary tool of NPOs is a Zero Coupon, Zero Principal (ZCZP) bond, a non-repayable security, which is interest-free. ZCZPs do not pay dividends or interest to investors; they just invest money in a project hoping that it will positively impact society. This raises a fundamental question: whether instruments devoid of financial return can coherently fit within the doctrinal framework of securities law, discussion of the SSE framework is based on these conceptual issues. In this article, SEBI SSE Master Circular is critically reviewed. Notably, the framework has already undergone targeted refinements through SEBI's circular dated April 15, 2026, indicating a responsive regulatory approach aimed at balancing ease of fundraising with safeguards for meaningful deployment of funds.

## 2. CONCEPTUAL FOUNDATION OF THE SOCIAL STOCK EXCHANGE

The Social Stock Exchange is a hybrid in the form of a combination of social impact funding and capital market mechanisms. The SSE does not focus on financial returns like in a traditional stock market where investors purchase equity or debt in anticipation of financial gains. It is a platform where social organizations (nonprofit and eligible to receive for-profit) will be able to raise funds, and investors (or donors) will supply capital based on the social or environmental impact of the project. The SSE in this manner institutionalizes a kind of impact investing. The

SSE approaches social outcomes as measurable, even monetizable, by design, as envisioned by SEBI. Formally, an SSE-listed entity must specify certain impact measures and objectives. The framework thus suggests that social benefit may be measured and reported in a uniform manner<sup>1044</sup>. Such criteria are in turn imposed through regulation, and funds are provided by investors (who are often philanthropic individuals or institutional donors).

This strategy has never been used in the Indian market law. The SSE needs some securities (such as ZCZPs) which have zero financial payoff. Basically, the grant is being issued in a dematerialized, controlled form by donors. According to one WEF analysis, the most important innovation is the Zero Coupon Zero Principal instrument that is a legal tool that allows the nonprofits to raise capital on a regulated exchange<sup>1045</sup>. ZCZPs are structured donations since they do not have any coupons or principal repayment. The SSE of India in that way makes the distinction between philanthropy and investment blurred.

This poses challenges. The conventional securities law is based on economic returns and market pricing. The SSE model in which solicitations of nonprofits take place in an exchange compels a reevaluation of listing a security. Are ZCZPs considered by the law to be securities? They are so considered in master circular of SEBI, but we must ask how market discipline (such as credit checks or liquidity) can be applied to a non-interest-bearing instrument. When there is no money to be made, then an incentive to even institutional investors is minimal. Practically, SSE might be based on philanthropic tendencies of its actors.

Concisely, conceptually the SSE inverts the paradigm of the market. It anticipates that financial incentive substitution of the capital attraction by regulated disclosure and impact verification will occur. According to one

<sup>1044</sup> *World Economic Forum, India's Social Stock Exchange* (Mar. 25, 2026), <https://www.weforum.org/stories/2026/03/lessons-trading-impact-india-social-stock-exchange/>

<sup>1045</sup> Id.

commentator, the SSE of India helps non-profits and social enterprises to list and raise funds on a regulated exchange, with oversight by SEBI, and serves as a model to other countries to put social impact on the capital market. But that too implies that participation of the investors is probably altruistic or mission driven. The Master Circular, therefore, tries to join social intention and market discipline, a new experiment that must be balanced between the structure and the flexibility.

### 3. REGULATORY ARCHITECTURE UNDER THE MASTER CIRCULAR

SEBI's Master Circular of January 19, 2026, codifies a comprehensive set of rules for the Social Stock Exchange. It consolidates all prior SSE guidelines under a unified framework<sup>1046</sup>. Key components include: (a) registration criteria for social enterprises, (b) rules for issuing ZCZP instruments, (c) disclosure requirements, and (d) ongoing reporting obligations.

#### 3.1 Registration of NPOs

Only some entities can register on SSE. The Master Circular adheres to the ICDR Regulations to ensure that applicants are not-for-profit organizations (NPOs) i.e. registered trusts, societies, or Section 8 companies that have an impressive track record<sup>1047</sup>. In practice, SEBI has mandated NPOs to possess valid tax exempted status (e.g. Section 12A/12AB of the Income Tax Act) and a history of three years operation. An NPO also has financial requirements before it can be registered: e.g. in previous circulars it was stated that an NPO must have expended at least Rs. 50 lakh every year on its operations and fundraised at least Rs. 10 lakhs, in the past three years.

Such eligibility criteria have a gatekeeping role. SEBI is trying to do this by restricting registration to existing organizations with audited finances to make sure that only reputable organizations enter the SSE. This increases confidence by investors. The trade-off however is that smaller

grass-root organizations would be locked out. Most nonprofits are running on lean budgets at or below the thresholds; 3-year records and big spending may scare away new or community groups, despite their high social impact. Critics believe the framework is not inclusive, but scale based. Upon successfully registering in a registered exchange through the SSE segment, an NPO is a social enterprise to the exchange. Registration does not necessarily allow fundraising<sup>1048</sup>. First, an NPO can be registered in a period of up to three years without any funds being raised. The NPO is only allowed to issue ZCZP instruments after registration and after the separate listing approval. (In the case of for-profit social enterprises (which are generally listed on a mainboard or SME segment), different advice is required.

#### 3.2 Raise the funds by use of ZCZP Instruments.

Zero Coupon Zero Principal (ZCZP) instrument is the main element of SSE fundraising to NPOs. ZCZPs are special purpose securities: they have no interest (zero coupon) or repayment at the expiry date (zero principal). They are not transferable except upon maturity, and they are issued in dematerialized form. In essence, a ZCZP entitles the holder only to participate in the social project specified in the offer, there is no financial return.

From an investor's perspective, buying a ZCZP is tantamount to making a conditional grant. The social outcome (e.g. number of households provided drinking water), is the only return. The SSE framework of SEBI considers them securities with listing conditions. Most importantly, ZCZP issuances are very regulated: the exchange and SEBI regulate the proceeds use and provide reporting covenants. One of the SEBI officials explained that ZCZPs are a creative source of fundraising that nonprofits may use, specifically

<sup>1046</sup> Securities and Exchange Board of India, *Master Circular for Framework on Social Stock Exchange* (Jan. 19, 2026)

<sup>1047</sup> Id.

<sup>1048</sup> Press Trust of India, *Sebi Extends NPO Registration Validity to 3 Years on Social Stock Exchange*, Business Standard (Apr. 16, 2026), [https://www.business-standard.com/markets/news/sebi-extends-npo-registration-validity-to-3-years-on-social-stock-exchange-126041600534\\_1.html](https://www.business-standard.com/markets/news/sebi-extends-npo-registration-validity-to-3-years-on-social-stock-exchange-126041600534_1.html)

by stating that it does not provide any financial gain to investors at all<sup>1049</sup>.

Minimum issue sizes and application sizes are practical terms and conditions of ZCZPs. As an illustration, SSE guidelines of NSE stipulate that the minimum issue size should be in the form of at least Rs. 1 crore and minimum size of application any issuance of ZCZP Rs. 2 lakh<sup>1050</sup>. These values are supposed to make sure that projects are large enough to warrant offer to the general population. SEBI has introduced calibrated relaxations through its circular dated April 2026, including extension of registration validity (subject to approval) and modification of minimum subscription requirements. While the general threshold continues to remain at 75%, a reduced threshold of 50% is now permitted in specified cases, subject to due diligence by the Social Stock Exchange to ensure that the funds raised are sufficient for meaningful and viable deployment in line with the stated objectives<sup>1051</sup>.

One of the main conceptual questions is: when ZCZPs are a cash-free affair, why is this a stock exchange at all? The SSE answer is that the listing venue provides transparency and investor oversight, rather than liquidity or profit. Any fundraising must be conducted in accordance with SEBI-approved exchanges with fund utilization being monitored and disclosed. To that extent, the issuance of ZCZPs on SSE is closer to conducting a charitable campaign in the presence of regulators, than a financial project.

### 3.3 Documentation and Disclosure Requirements of Fundraising.

The Master Circular imposes on all SSE fundraising detailed disclosure responsibilities. To become listed as an NPO, ZCZPs will be

required to make a formal fundraising document (like a prospectus) which will outline the vision, purposes, plan of the project, information on beneficiaries, financial forecast, and risks, and governance. This is consistent with the aim of informed decision making by SEBI: prospective contributors ought to be able to access all the material information about a project, before they commit their money.

In particular, the fundraising document should consist of (among other things): social rationale and intended social outcomes of the project, clear budget breakdown, credentials of the project team, a list of the large donors or funders, and the current infrastructure. It should also provide the governance structure of the NPO as well as audited financial statements, to indicate credibility. These requirements, based on the provisions of ICDR, resemble those of public offerings by listed companies, but include more focus on impact measures.

SEBI seeks to eliminate suspicious plans by compulsory revelations and give the donors the same degree of confidence as the investors in financial markets. To illustrate, an NPO cannot just go out there and raise money through a verbal appeal; it should put its promises in writing and stick to them. This openness is perhaps one of the significant advantages of the framework (see Section 6). Concurrently, the load is heavy. Small charities might not be able to create offer documents that are prepared professionally with granular forecasts and risk analysis. Legal charges and compliance can be high. So, the formalized process helps to safeguard the donors, but it might also deter simpler organizations to participate. Further, as per SEBI circular dated April 2026, additional disclosure requirements have been introduced in cases of under-subscription. NPOs are now required to specify in the fund-raising document: (i) the manner in which balance funding will be arranged where minimum subscription of 50% or 75% is achieved; and (ii) the possible impact on the achievement of social objectives if such funding gap is not bridged. This enhances transparency and

<sup>1049</sup> Online Bureau & Press Trust of India, *Sebi Extends Registration Validity Period for Not-for-Profit Entities on Social Stock Exchange*, ETLegalWorld (Apr. 16, 2026, 3:00 PM IST), <https://legal.economicstimes.indiatimes.com/news/regulators/sebi-extends-npo-registration-validity-for-social-stock-exchange-participation/130302850>

<sup>1050</sup> NSE Receives Final Approval to Launch Social Stock Exchange (SSE) as a Separate Segment, Whispers in the Corridors (Feb. 23, 2023)

<sup>1051</sup> Securities and Exchange Board of India, Circular No. HO/49/14/(10)2026-CFD-POD1/1/9380/2026 (Apr. 15, 2026)

enables better assessment of project viability under varying subscription scenarios.

### 3.4 Continuous disclosure and Annual Reporting.

Fund raising is not the end of listing on the SSE. The Master Circular requires continuous reporting by the company like continuous disclosure by a listed company. The SSE requires social enterprises to create and present annual reports which address three key areas (1) general information (e.g. registration status, structure), (2) financial statements, and (3) an Annual Social Impact Report. They also have to disclose any material events or changes to the exchange within a short period.

Practically, this implies that every year a social enterprise will have to demonstrate what funds it has deployed and what results they have obtained. It should enumerate noteworthy programs, advancements achieved, geographical coverage, beneficiaries, etc. Donors are therefore able to monitor the status of the project in terms of time. Also, the alterations in the composition of the board or the transactions involving the related parties should be disclosed. The focus on governance information (including top donors/beneficiaries) highlights the fact that SEBI aims to make NPOs on SSE look like listed companies and are accountable to the market.

These requirements further the regulatory goal of treating the social sector with “the same rigor as financial auditing”<sup>1052</sup>. On the positive side, ongoing reporting helps maintain trust and deters misuse of funds. However, as with fundraising disclosures, they increase the workload for social enterprises. Many may need to hire consultants or accountants to compile impact data and ensure compliance with disclosure norms. This tension between transparency and overhead is one of the SSE’s central challenges. Additionally, the amended framework clarifies that funds must be refunded where minimum subscription thresholds are not

met, thereby reinforcing investor protection safeguards.

### 4. ANNUAL IMPACT REPORT: THE CORE OF SSE

The Annual Impact Report (AIR) is at the core of the SSE framework. In this report, the emphasis is on social outcomes instead of the usual financials. SEBI stipulates that every listed social enterprise should disclose an AIR which includes qualitative descriptions alongside quantitative measures of impact. The AIR should be in line with the project objectives and show a performance over a period.

The Master Circular details the form of the AIR somewhat. It should also contain the analysis of the baseline (describing the situation before the intervention), implementation plan (what activities are taken), and the outcomes (with the indicators). As an illustration, an NPO constructing sanitation would share the number of toilets built (output KPI) and any quantifiable increase in the overall health of the population (outcome KPI). Any deviation of any projection should also be indicated in the report and how any excess or deficit was managed.

The preparation of the AIR is also under the scrutiny of SEBI. The assessment must be done by regulation by a qualified Social Impact Assessor (also known as a Social Auditor). Such assessors are professional individuals who are independent and trained in the evaluation of social programs. According to the ICDR regulations, an Assessor should be a person registered with a self-regulatory organization (SRO) approved by SEBI and registered by the National Institute of Securities Markets (NISM)<sup>1053</sup>. The social auditors in India are the known to be SROs, such as the Institute of Cost Accountants Social Auditors Organization, and the Institute of Social Auditors of the ICSI.<sup>1054</sup>

In the impact assessment, the auditor reviews the AIR, data, and makes sure it is in line with the SSE standards. They seek out a rational theory of change that is an explicit connection between

<sup>1052</sup> Securities and Exchange Board of India, *supra* note 3

<sup>1053</sup> Securities and Exchange Board of India, Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0060 (May 27, 2024).

<sup>1054</sup> Id.

inputs, activities, outputs, and outcomes. SEBI has even standardized the format of all SSE reports, a logic model, to make them easier to compare<sup>1055</sup>. Self-regulatory bodies have come up with standardized parameters of what they want to measure in each sector, frequently linking metrics to applicable UN Sustainable Development Goals.

The notion is to develop a shared yardstick. As an example, every project in the education realm may state the increase in school attendance or test results as the outcome KPIs. The standardization will enable donors to make comparisons between various projects on the same terms. Practically, an AIR may cover tens of pages and contains charts, tables of metrics, case studies, and a discussion of results by management. It is frequently provided together with the financial statements of the organization.

Such detailed reporting on impact is a historic requirement. It raises the level of social results to the same rigor as the financial results.<sup>1056</sup> By law, social enterprises must thus treat impact measurement as seriously as audit compliance. As an example, one SSE audit firm discovered that at least 80 percent of project expenditures should be covered by baseline data (the situation before the project) and outcome indicators to attain a green rating, which would guarantee solid evaluation.

Social impact is a complex issue to quantify, however. Not everything can be easily quantified using numbers. Such problems as the improvement of quality of life or behavior change in the long run cannot be easily measured. Opponents caution that excessive standardization can overlook significant nuances. However, the fact that SEBI demands an AIR imposes some discipline and transparency that was largely absent in the nonprofit sector in the past. It builds a paper trail between the inflows of funds and tangible

social outcomes in the year, leaving accountability as a closed loop.

## 5. GOVERNANCE AND INSTITUTIONAL FRAMEWORK

To regulate the SSE ecosystem, the framework by SEBI establishes new institutional roles. The foremost among them is the Social Stock Exchange Governing Council (SGC). Each of the known exchanges (NSE or BSE) with an SSE segment must create their SGC prior to being given the ultimate consent to commence the SSE segment.<sup>1057</sup> The SGC is conceived as a steering committee which will supervise all SSE activities and offer sector expertise.

Each SGC is composed to make sure it is representative in general. This must contain a minimum of seven members representing various categories of stakeholders by rule.<sup>1058</sup> These consist of public and private philanthropic donors, non-profit organizations, social impact investors, information repositories (e.g. foundations or academic institutions that collect impact data), and experts in social auditing (or SROs on behalf of social auditors). The Council is also joined by the capacity-building funds and the management of the stock exchange itself. Concisely, the SGC unites individuals of government, civil society and finance, all of whom have relevant expertise in markets and development.<sup>1059</sup>

The terms of reference of the SGC support its control. It is mandated with the responsibility of ensuring the SSE operates effectively, especially in steering the registration, fundraising and disclosure procedures. To illustrate, the SGC recommends on how to simplify the listing process, checks the sufficiency of disclosures by social enterprises, and seeks stakeholder feedback. It can suggest changes to the policy or assist in resolving the conflict of interest. The SGC holds frequent sittings (at least four times

<sup>1055</sup> *World Economic Forum, supra* note 1  
<sup>1056</sup> *Id.*

<sup>1057</sup> *Institute of Company Secretaries of India, Weekly Update, [https://www.icsi.edu/media/webmodules/Weekly\\_Update\\_5.pdf](https://www.icsi.edu/media/webmodules/Weekly_Update_5.pdf) (last visited Apr. 17, 2026)*  
<sup>1058</sup> *Id.*  
<sup>1059</sup> *Id.*

in a year) which are answerable to SEBI as well as the Board of the stock exchange.<sup>1060</sup>

Besides the SGC, SEBI has established a certification system over Social Impact Assessors (social auditors). A Social Impact Assessor may audit the impact report of any SSE project once he/she is certified. This makes the impact assessments to be carried out in a professional manner.<sup>1061</sup> To train and empanel such auditors, two professional bodies i.e, the Institute of Cost Accountants (ICMAI) and the Institute of Company Secretaries of India (ICSI) have set up divisions. SEBI would also create a conducive environment around the SSE by setting up the SGC and licensing auditors. The actions are indicative of the realization that the social sector did not have similar structures. The SGC makes use of experience in governance in stock exchanges, and the Social Auditors inject financial-audit rigor into social evaluation. Together, they are meant to support credibility which is one of the SSE's stated objectives.

## 6. STRENGTHS OF THE SSE FRAMEWORK

- Enhanced Transparency: The SSE's disclosure regime, both fundraising prospectuses and ongoing reports is arguably more rigorous than what most NPOs face today. Donors have organized their knowledge on the usage of their money. The fact that a formal offer document with project specifications and annual reports on impact that are confirmed by an auditor is a requirement introduces a new sense of transparency in the social sector.<sup>1062</sup> This, in theory, enables donors and impact investors to make knowledgeable decisions, and to keep projects accountable in case results fall behind.
- Accountability and Governance: SEBI enforces nonprofit-like standards of governance by subjecting NPOs to the same standards as market participants. As an

example, composition of the board, key donors, and dealings with related parties should be disclosed. Other checks and balances are enforced by the SGC oversight and compulsory audits. These will minimize the chances of fraud or mismanagement. Practically, SSE-listed organizations must have books and controls like privately-owned firms. This standardizes practices within a sector, which has previously existed in an opaque way.

- Formalization of Social Finance: The SSE will incorporate social funds into the financial system of India. It establishes a controlled market space in major stock exchanges (NSE and BSE) in which social enterprises can be seen by prospective investors. With the introduction of new instruments (ZCZPs, impact funds, pooled-investment vehicles) as securities through the securities law, SSE creates the possibilities of innovative financing. Although such instruments may not yield interest, their presence in a market setting brings on board larger donors and intermediaries (such as merchant bankers and trustees) to join in with the assurance that the SEBI standards are applicable. By doing so, SSE has the potential of opening new capital to be developed which would have otherwise been dispersed or unmonitored.
- Standardization of Impact Measurement: The SSE, perhaps alone, demands a standardized way of describing social outcomes. Listed entities should explain their theory of change in a logic-model format. There are uniform norms that are in sync with the UN Sustainable Development Goals to determine which metrics should be reported.<sup>1063</sup> This ubiquitous format makes social impact comparatively across projects and sectors. Although each project is unique, the SSE demands homogeneous reporting categories. In the long run, this would create a rich database of the effect of

<sup>1060</sup> Id.

<sup>1061</sup> Securities and Exchange Board of India, *supra* note 10.

<sup>1062</sup> Securities and Exchange Board of India, *supra* note 3.

<sup>1063</sup> *World Economic Forum*, *supra* note 1

outcomes that would assist donors in making decisions on how to distribute resources.

## 7. CHALLENGES AND CONCERNS

- High Compliance Burden: All the transparency and reporting come at a cost. This is strenuous in the preparation of fund-raising documents, annual reports, audited financials and undergoing third party impact assessment. Without external assistance, many social organizations, particularly smaller or rural NGOs do not have the administrative capacity to fulfill these requirements. They may not be able to afford the initial and recurrent expenses (legal, accounting, auditing). It is dangerous that only the bigger, well-capitalized NGOs or funded social enterprises will be able to fully participate. Such toppling to the peak, compromises the inclusive vision of the SSE.
- Conceptual Ambiguity of ZCZP: Critics question whether a bond with zero coupon and zero principal truly belongs on a stock exchange. Investors in a ZCZP forego any financial return. This blurs the line between investment and donation. The term “zero-principal” is itself oxymoronic in financial markets. Some have suggested calling ZCZPs “impact certificates” rather than bonds. Within legal doctrine, treating such instruments as securities is untested. If a donor’s only “gain” is social impact, the enforcement of securities law (which traditionally protects economic interests) may be strained. The concept, though innovative, stretches the securities framework in unprecedented ways.<sup>1064</sup>
- Measurement of Social Impact: Impact is subject to measurement that is challenging to standardize. Social outcomes are normally qualitative, long term and subject to numerous externalities. Simplifying social change by reducing the mission of an NGO to several KPIs can make it simple. The second issue is that there is a risk that organizations will concentrate on the easy-to-quantify results at the cost of more difficult-to-quantify results. To illustrate, it is easy to determine the number of beneficiaries served, but it is more challenging to determine real livelihoods improvement. The framework of SEBI tries to counter this through logic models and certified auditors, yet there are critics who are concerned that strict reporting mandates will promote the use of tick-box solutions. Comparable norms aid comparison but might not reflect local contexts of various projects.<sup>1065</sup>
- Limited Investor Incentives: The SSE relies heavily on goodwill of participants. ZCZPs may not be appealing to mainstream institutional or retail investors, who are used to financial returns. In the absence of dividends or increase in price, the natural investor base is limited: mostly individuals who are philanthropic, CSR departments of companies, or social impact funds. The framework does allow pooled impact investment vehicles (like mutual funds) to donors<sup>1066</sup>, although even these tend to offer only social (not financial) returns. Whether new fundraising instruments (such as giving funds or development impact bonds) will expand investor interest is still to be seen. In its current form, SSE can be more a controlled donation system, rather than a traditional capital market.
- Accessibility and Scale: There are entry barriers to some of the rules, even with relaxations. Small but locally powerful projects may be discouraged by minimum issue sizes (e.g. ₹1 crore), as well as the complexity of the compliance. Also, the 3-year (renewable to 4) obligatory registration without funding<sup>1067</sup>, though it gives flexibility, also postpones any immediate fundraising. Strict protections and the requirement of the SSE to get to the grassroots clash. When

<sup>1065</sup> Id.

<sup>1066</sup> Id.

<sup>1067</sup> Press Trust of India, *supra* note 5

<sup>1064</sup> *World Economic Forum*, *supra* note 1

there are so many requirements between an NGO and its donors, the SSE may be turned into a club of large NGOs only. SEBI will have to keep a check on whether it is distributing funds to the beneficiaries through the framework or whether it is unknowingly sidelining some of its needy projects.

- **Partial Funding Risk:** While the April 15, 2026 circular, amendment reducing minimum subscription to 50% enhances fundraising flexibility, it also raises concerns regarding underfunded project execution. This increases reliance on the due diligence conducted by the Social Stock Exchange to ensure that even partially funded projects remain viable and capable of achieving intended social outcomes.<sup>1068</sup>

## 8. COMPARATIVE PERSPECTIVE

Social stock exchange has been experimented in other countries. The first SSE in the United Kingdom, which was opened in 2013, serves as a registry and, to a certain extent, a certification body<sup>1069</sup>. It is not a trading in shares but rather companies that pass a social impact test may obtain visibility. Impact reports about such companies are published by independent experts to allow people to refer to it. Therefore, SSE of the UK offers standardized information on impacts without linking issuers and investors directly.

Equally, in Canada, the Social Venture Connexion (SVX), established in 2013 is an accredited investor private marketplace featuring social enterprises to be financed<sup>1070</sup>. It is registered under securities laws, but initially only institutions and very high net-worth individuals were allowed to participate. Instead of retail participation, SVX majors in screening social ventures and offering due diligence support. In both the UK and Canada, the government/foundation support to their SSEs is

substantial and the platforms are more matchmaking than compulsory disclosure.

Singapore's Impact Exchange (formerly ImpactX) began in 2013 as well<sup>1071</sup>. It is also open to nonprofits that issue bonds, e.g., Singaporean NGOs can issue social bonds to fund projects. ImpactX offers a marketplace, where issuers have standardized listing policies and impact reporting policies. It is in line with international standards (such as IRIS measures) but has not been listed widely since its creation. SSE-like platforms have been tried in other countries (South Africa, Portugal, etc.); most of them are more of a curated directory or a crowdfunding platform than a stock exchange. Comparatively, the regulatory intensity and the two-fold interest of the nonprofits and social-for-profits make the SSE in India unique. Although international SSEs are usually voluntary registries or information platforms, the Indian version is a formally regulated bona fide securities market segment which is formally listed. The strategy of SEBI is to transplant the capital markets culture to social finance. This has advantages (credibility, rigor) as well as disadvantages (inflexibility). Essentially, the SSE in India is more akin to a well-monitored sub-market, as compared to many other peers in the world which rely on voluntary compliance and rating systems.

India can therefore be an example to SSE 2.0, which is a state-based, standards-based template as compared to previous SSEs, which were mostly community-based. One of the analyses observes that the SSE in India provides an example that other countries can follow on how to incorporate impact into capital markets<sup>1072</sup>. It is yet to be seen whether this model will be more successful in raising funds compared to its predecessors.

## 9. FUTURE OUTLOOK

The Social Stock Exchange is yet to mature, and the framework provided by SEBI is likely to change. SEBI already (2026) has changed as it

<sup>1068</sup> Securities and Exchange Board of India, *supra* note 8

<sup>1069</sup> Bandini Chhichhia, *The Rise of Social Stock Exchanges*, Stanford Social Innovation Review (Jan. 8, 2015), [https://ssir.org/articles/entry/the\\_rise\\_of\\_social\\_stock\\_exchanges](https://ssir.org/articles/entry/the_rise_of_social_stock_exchanges)

<sup>1070</sup> Id.

<sup>1071</sup> Chhichhia, *supra* note 26

<sup>1072</sup> World Economic Forum, *supra* note 1

already introduced targeted amendments through its circular dated April 2026, including extension of the registration period (subject to approval) and a calibrated relaxation in minimum subscription requirements for ZCZP issuances and it increased the term of registration of NPOs and softened the ZCZP requirements<sup>1073</sup>. These fixes show that authorities are paying attention to industry feedback. In the future, the key will be a balance between regulation and accessibility. SEBI might have to streamline operations of small NGOs or even offer them capacity building. It will have to also improve impact metrics based on experience, possibly with a degree of flexibility to different situations. The other important development will be to increase the investor base. Minimum investment in social funds has already been reduced to Rs by SEBI. 1,000 to promote retail involvement<sup>1074</sup>. Provided that the institutions (such as banks or insurance funds) can be convinced to spend at least a minor part of their money on SSE instruments, the potential to raise funds will increase. Similarly, international donors and development finance might also channel through the SSE channel assuming they have confidence in its standards.

Structurally, SEBI can periodically revise the Master Circular as the ecosystem evolves. As an example, as data builds up, more effective guidelines to the indicators of permissible impact and audit procedures could be provided. The technology aspect can also emerge: how will blockchain or digital identity systems be impact-verifying? SSE has been of interest as an innovation at the international level. SEBI has a holistic approach and a mix of strict norms and imaginative instruments, which are looked at by other emerging markets. The latest article of the World Economic Forum proclaimed the SSE of India as an alternative form of finance that is situated in the design of the public, in its market infrastructure and social

missions.<sup>1075</sup> To achieve such a vision, the SSE should be able to deliver on results. When even a portion of the capital it aspires to commit to viable social good can be directed by it, it might transform the nature of the collaboration between philanthropy and finance. However, when regulatory hurdles inhibit participation, changes will have to be made.

## 10. CONCLUSION

The Master Circular of the Social Stock Exchange by SEBI is an Indian watershed in the financial regulation. The social impact is the first time that it is directly regulated in the framework of the securities market. The circular codifies an ambitious blueprint that is transparent: it establishes strict registration requirements, establishes new impact bonds, and requires social enterprises to make strict reports. By so doing, SEBI aims at creating investor confidence and responsibility in a sector that has been largely criticized due to lack of transparency.

The outcome is a well-organized ecosystem. On the one hand, such formalization might bring more money to social causes by guaranteeing donors that money is appropriately spent. It also takes impact measurement to a level of systematization. The SSE is not just a directory, according to one expert, social enterprises need to give impact reporting the same seriousness as financial auditing. This is a major change: social results will be forced to be transparent as the profits of a firm.

The April 2026 amendments further strengthen this framework by introducing flexibility while retaining necessary safeguards, thereby aligning regulatory intent with practical challenges faced by social enterprises.

Yet challenges remain. The SSE's success is not a given. Its tools (such as ZCZP bonds) rely on charity, rather than market forces. Its excessive compliance has a risk of marginalizing the same grassroots groups that need funding by most. And the fact that social change is

<sup>1073</sup> Press Trust of India, *supra* note 5  
<sup>1074</sup> *Id.*

<sup>1075</sup> *World Economic Forum, supra* note 1

complex in nature implies that results still cannot be fully quantified. Another issue under discussion is whether this type of market mechanism can offer any solution to the gap between the rich and the needy or will merely form another niche asset market to be sold by well-heeled donors. In a nutshell, the Social Stock Exchange is a social enterprise of rethinking capital markets. It tries to combine philanthropy and money, compassion and control. The long-term effect of it will not be measured in stock indices but in the lives, it will touch in terms of whether schools will be built, livelihoods enhanced, or environments renewed. The Master Circular by SEBI is the beginning, and the actual job of the social enterprises is yet to start.

#### REFERENCES

1. Securities and Exchange Board of India, *Master Circular for Framework on Social Stock Exchange* (Jan. 19, 2026).
2. Securities and Exchange Board of India, Circular No. HO/49/14/(10)2026-CFD-POD1/1/9380/2026 (Apr. 15, 2026).
3. Securities and Exchange Board of India, Circular No. SEBI/HO/CFD/POD-1/P/CIR/2024/0060 (May 27, 2024).
4. Press Trust of India, *Sebi Extends NPO Registration Validity to 3 Years on Social Stock Exchange*, Business Standard (Apr. 16, 2026), [https://www.business-standard.com/markets/news/sebi-extends-npo-registration-validity-to-3-years-on-social-stock-exchange-126041600534\\_1.html](https://www.business-standard.com/markets/news/sebi-extends-npo-registration-validity-to-3-years-on-social-stock-exchange-126041600534_1.html).
5. Online Bureau & Press Trust of India, *Sebi Extends Registration Validity Period for Not-for-Profit Entities on Social Stock Exchange*, ETLegalWorld (Apr. 16, 2026, 3:00 PM IST), <https://legal.economictimes.indiatimes.com/news/regulators/sebi-extends-npo-registration-validity-for-social-stock-exchange-participation/130302850>.
6. National Stock Exchange of India, *NSE Receives Final Approval to Launch Social Stock Exchange (SSE) as a Separate Segment, Whispers in the Corridors* (Feb. 23, 2023).
7. Bandini Chhichhia, *The Rise of Social Stock Exchanges*, Stanford Social Innovation Review (Jan. 8, 2015), [https://ssir.org/articles/entry/the\\_rise\\_of\\_social\\_stock\\_exchanges](https://ssir.org/articles/entry/the_rise_of_social_stock_exchanges).



GRASP - EDUCATE - EVOLVE



**INSTITUTE OF LEGAL EDUCATION**

*(Managed by L TO J LAW ASSOCIATES)*

NO. 08, ARUL NAGAR, SEERA THOPPU,  
MARUDHAANDA KURICHI, SRIRANGAM - 620102,  
TAMILNADU, INDIA.

ISSN 2583-2344



9 772583 234004