



# Social Stock Exchange in India – Time to Take Capital Market to Social Welfare Objectives

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## ABSTRACT

With major transformations happening in the National Stock Market it comes up with the new launch idea of Social Stock Exchange after decades in the upcoming months. This paper focuses on the framework and the various regulations fixed for listing in the social stock exchange. The concept was down for discussion from the year 2019 but the final nod for the launch of social stock exchange was announced in the month of February 2023 by SEBI. With its discussion and approval process going on various charitable organizations started their talks on the listing process in the social stock exchange. After decades a great transformation and introduction of new sector into the stock market making the investors meet the growth of the social enterprise. Will this be leverage in building a newer network or an added challenge with more intermediaries involving

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**KEYWORDS:** Social Stock Exchange, Capital Market, SEBI

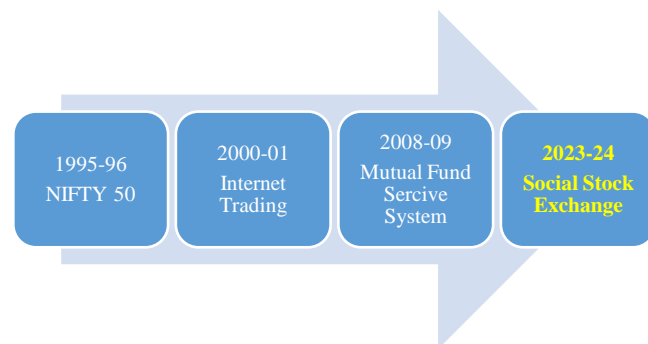
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## I. INTRODUCTION

The Indian Stock market plays a major role in the GDP growth of the nation. It acts presently as the third largest economy in the purchasing power parity and in 2030 the nation aims at attaining greater heights. Various systematic restructuring and developments were added year by year in the stock market which in turn lead to influence the Indian economic factors. It was once the repo rates, GDP, Purchasing Power Parity etc., which showcased the nation's power. The rise and fall of the stock prices and sectoral market now plays the major role to the development of the economy.

Various innovations and additions to the stock market are taking the nation to great heights and to add to this the concept of Social Stock Exchange was about to be introduced in the Indian Stock Market. This framework was worked by a technical group and the concept was first laid down by the Indian Finance minister in the Budget speech 2019-20.

## II. MAJOR MILESTONES IN INDIAN STOCK MARKET



## III. FARMEWORK OF SOCIAL STOCK EXCHANGE

The Social Stock Exchange will be a next step towards advancement in the stock market and the economy mainly with objective of social welfare. This serves the private and non-profit sectors by directing huge capital to them. SSE will function as a separate exchange having social intent as the major goal. Non- profit organization which requires to raise funds in the social stock exchange has to first register with the exchange. Except acting as a separate exchange it follows all rules and regulations followed by the other listed companies in the market.

#### MAJOR OBJECTIVE OF SOCIAL STOCK EXCHANGE

- Acts as a national platform for the aspiring social entrepreneurs and investments in sustainable social enterprise.
- Helps in the upliftment of social enterprises by increasing the capital contribution.
- Encourages many Non-Profit organizations with service motto to develop and issue stocks
- There are chances that the top companies can show their interests in social well-being by entering into this field.
- Collaborating platform for investors and investee with social aims.

#### BOON OR BANE FOR THE INDIAN STOCK MARKET

The social stock exchange encourages participation of various investors that builds relationship in building new networks which results in social growth of the nation. It would be a very positive note for all the NGOs to list their stocks following the SEBI guidelines. Legal criterion has to be framed stating clearly the social enterprise with profit motive and non-profit motive. Major classification in this regards is fixed by the national stock exchange but not a detailed one, which may lead to many organizations to list in the social stock exchange without proper framework and regulation. As the stock market investors mainly try to invest in stocks with profit motive, will it be a right collaboration meeting the profit motive investors with the non-profit organizations. As the Non-Government Organizations do not maintain proper financial statements which could lead to intervention of intermediaries.

#### LISTING UNDER SOCIAL STOCK EXCHANGE

The social stock exchange comes under the regulations of Securities and Exchange Board of India (SEBI) which will act as a new fundraising platform for non-profit organizations. Zero Coupon Zero Principal (ZCZP) to be framed by NSE for organizations to raise funds in this section. This instrument is used to raise funds in the social stock exchange either publicly or privately by the social enterprises following the eligibility criteria. The subscriptions made under the ZCZP will act as a long term fund raising instrument with the purpose of humanity as the base motto or in other words it acts as a philanthropic donation. For the Non-Profit Organizations (NPO) to list under the SSE it should possess a registration certificate for the upcoming year in which they have planned to list in SSE and also to state if it is owned by the government or private.

The Non Profit Organizations to be registered as a charitable trust under any the following Act:

- Societies Registration Act, 1860
- Indian Trusts Act, 1882
- Indian Companies Act, 2013

The NPO planning to list under SSE must at least be a three-year-old organization with certain spending limits and the amount of fund receipt in the previous year of listing. To raise fund under the ZCZP instrument the organization is mandated to submit their company document on the vision and mission, mentioning clearly the company's strategies, targets, governing and management policies, financial compliances, forecast of goals and also the risk associated with the organization. The company failing to follow any of these rules will be barred to list under SSE and hence it's a big process for the NPOs before getting listed which they so far have not done.

#### CONCLUSION

The social stock exchange is the need of the hour in India where the major investments and profits can be diverted to the development of the socio economic status of the country. It is recommended to provide government tax benefits to the SSE and the enterprise listed so as to encourage more investments in the social stock exchange. Also on the other hand transparency, accountability and credibility to be maintained. Various models can be introduced in the SSE so that it will be suitable on what category the investors are interested to invest. Thus this concept of the social stock exchange is welcomed by most of the Non Profit Organizations but the reach and awareness of the SSE has not reached many social enterprises though there was an announcement by the finance minister of India. The commodities market going good in the stock exchange, the country and the investors expect a new section in the stock market where social stock exchange can be the right entry in the near future.

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