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SOCIAL IMPACT REVIEW

- India's Social Stock Exchange: Learning from Global Experiences to Build a Sustainable Impact Investment Ecosystem

India's Social Stock Exchange: Learning from Global Experiences to Build a Sustainable Impact Investment Ecosystem

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INTRODUCTION

A **Social Stock Exchange (SSE)** is a specialized and regulated platform that facilitates the raising of social capital/funds by the social enterprises to achieve measurable social and environmental outcomes. It functions as a marketplace where entities seeking social capital connect with investors and donors, creating a mutually beneficial ecosystem. Under this regulated framework, the entities raising funds include:

- Social Enterprises (SEs)
- Non-Profit Organizations (NPOs)
- For-Profit Social Enterprises (FPEs)

These organizations may raise social capital in a **transparent, accountable, and sustainable manner**, while demonstrating measurable social impact. The providers of capital in the SSE ecosystem may include:

- High-Net-worth Individual (HNI) investors
- Corporate entities
- Philanthropic organizations
- Institutional investors
- Impact investors
- Foundations and charitable trusts

SSE serves as an **additional avenue for fundraising** and does not replace the existing sources of finance available to social enterprises. It complements traditional funding mechanisms by expanding access to impact-oriented capital. The existing primary sources of funding for SEs, NPOs, and FPEs include:

- Individual donations
- Domestic grants
- Foreign grants
- Corporate Social Responsibility (CSR) funds

- Membership fees
- Crowdfunding
- Fundraising events and campaigns
- Income generated from social enterprises or services

Thus, the SSE broadens the financing ecosystem by connecting social enterprises with investors and donors who seek to generate positive social return and environmental outcomes/impact alongside financial sustainability. Unlike conventional stock exchanges that primarily focus on financial returns, SSEs emphasize a double or triple bottom line—financial sustainability, social impact, and environmental benefits.

However, experience shows that there is an urgent need to set forth systems in place to face questions that may arise in the utilization of the funds received by the SEs, NPOs and FPEs in the context of measuring the impact of the funds deployed by these agencies, enabling the programs for which funding is received be run on a sustainable basis, reporting mechanisms and monitoring of expenditures on programs by the investors and finally deal with the current lack of proper regulatory frameworks to monitor the activities of the agencies who have received the funding. This paper examines these aspects in comparison to the global best practices and suggests the way forward.

EVOLUTION OF SOCIAL STOCK EXCHANGES (SSE) – GLOBALLY

Over the last two decades, several countries have experimented with different models of Social Stock Exchanges (SSEs). The concept emerged from the need to bridge the financing gap faced by social enterprises and impact-driven organizations by providing a regulated platform that connects investors with entities pursuing measurable social and environmental outcomes.

The following table summarizes the key features of major international SSEs:

Year	Country	Name of the SSE	Current Status	Key Features	Reasons for Success/Closure
2003	Brazil	Bolsa de Valores Sociais (BVS)	Closed	Operated as a donation-based platform that connected investors with vetted social projects.	Closed due to insufficient scale, low investor participation, and an unsustainable revenue model.
2006	South Africa	South African Social Investment Exchange (SASIX)	Closed	Allowed individuals and institutions to fund social projects and monitor its outcome.	Low transaction volumes and inadequate financial sustainability led to closure.
2009	Portugal	Bolsa de Valores Sociais (BVS Portugal)	Closed	Focused on funding social projects through private sector participation and transparent disclosures.	Failed to achieve sufficient market demand and scale.
2013	United Kingdom	Social Stock Exchange (SSX)	Closed	Listed companies demonstrating measurable social and environmental impact.	Insufficient revenue generation and limited investor demand.
2013	Canada	Social Venture Connexion (SVX)	Active	Online impact-investment platform connecting accredited investors with social enterprises and impact funds.	Strong regulatory support and a well-developed impact-investment ecosystem.
2013	Singapore	Impact Investment Exchange (IIX)	Active	Facilitates impact investing across Asia and supports enterprises generating both financial and social returns.	Strong regional network, diversified funding mechanisms, and international investor participation.
2019	Jamaica	Jamaica Social Stock Exchange	Active	Provides a platform for social enterprises to raise funds and improve visibility and transparency.	Supported by local institutional stakeholders and a focused social enterprise ecosystem.
2022	India	Social Stock Exchange (BSE & NSE)	Active	Operates under the regulatory framework of Securities and Exchange Board of India (SEBI) and allows Non-Profit Organizations (NPOs) and For-Profit Social Enterprises.	Strong regulatory oversight and emphasis on transparency, disclosures, and measurable social impact.

Source: *Author's inputs from web search.*

Over the years, Social Stock Exchanges (SSEs) have evolved differently across countries, with varying degrees of success. Currently, the Social Stock Exchanges of Jamaica (2019), Singapore (2013), and Canada (2013) remain operational and continue to facilitate impact investing and funding for social enterprises.

However, earlier SSE initiatives in Brazil (2003), South Africa (2006), Portugal (2009), and the United Kingdom (2013) have ceased operations. These platforms were unable to generate sufficient revenue through their fee-based structures due to limited scale, inadequate investor participation, and insufficient demand for their services, which affected their long-term financial sustainability. Many of these platforms operated merely as online "matchmaking" boards. Because the listed stocks were largely non-tradable or restricted, investors had limited exit options and no opportunity for financial reasons, which deferred institutional capital. There was no universally accepted framework for quantifying social outcomes. Investors struggled to compare the social impact of an education-focused Non-Profit Organization (NPO) against an environmental enterprise (Shaily Gupta, 2023). In several Western countries, SSEs were launched as private, voluntary platforms rather than backed by established market regulators. Without strong statutory oversight, the market lacked the necessary trust and transparency to attract continuous funding. (Balasubramaniam, 2026). Non-profits found the strict reporting requirements of market exchanges too demanding and expensive, often outweighing the capital they were actually able to raise (Sachdeva, 2020).

Drawing from these international experiences, India introduced its Social Stock Exchange framework in 2022 under the regulatory oversight of Securities and Exchange Board of India (SEBI). The Indian SSE seeks to create a transparent and regulated ecosystem that enables Non-Profit Organizations (NPOs) and For-Profit Social Enterprises (FPEs) to raise funds while ensuring accountability, transparency, and measurable social impact. To succeed where predecessors faltered, India's model addresses several historical pitfalls. Unlike the voluntary platforms in the U.K., India anchors its SSE under SEBI regulations. This builds vital credibility, preventing the platform from devolving unregulated charity directory (Shekhar, 2023). India has established a structured framework for impact measurement, creating a formal cadre of certified "Social Impact Assessors". This helps solve the historical problem of verifying and standardizing social claims. India utilizes specific mechanisms to ensure visibility for social enterprises. Non-profits can raise funds using Zero Coupon Zero Principal (ZCZP) Instruments, while for-profit enterprises can raise debt and equity. In a framework study of seven global exchanges[1] (Anushree Parekh, March 2021) has noted that while the spectrum of impact funding, from simple grant to innovative finance to impact investment, SSEs across the world set up direct resources towards social organizations. But their structure and design differed based on the maturity level of financial and philanthropic ecosystems. There was a significant government role in regulating the social sector.

1. Brazil, Canada, Jamaica, Portugal, Singapore, South Africa and U.K.

SSEs: COMMON CHALLENGES FOR INTERNATIONAL EXCHANGES

1. **Impact Measurement:** Measuring and assessing social impact remains one of the most significant limitations faced by international Social Stock Exchanges (SSEs). Unlike conventional stock exchanges that primarily measure financial performance through standardized indicators such as revenue, profit, and market capitalization, SSEs are required to assess social outcomes, which are often qualitative, long-term, and difficult to quantify. The absence of globally accepted impact measurement standards has created challenges in comparing and evaluating the performance of social enterprises across countries and sectors. Though SSEs have strong measuring and reporting mechanisms established, however, they do not entirely capture the impact. (Anushree Parekh, March 2021)

2. **Limited Liquidity:** Several international Social Stock Exchanges, such as those in Brazil, South Africa, Portugal, and the United Kingdom, faced sustainability challenges due to limited scale, low investor participation, and insufficient demand for their services.

3. **Investor Awareness**: It has been a significant limitation of international Social Stock Exchanges (SSEs). Many investors are unfamiliar with the concept, objectives, and functioning of SSEs, as these platforms prioritize social impact alongside financial sustainability rather than maximizing financial returns. This lack of understanding has restricted investor participation and limited the growth of SSEs worldwide. For example, several international SSE initiatives, including those in Brazil, South Africa, Portugal, and the United Kingdom, struggled to achieve sufficient scale and investor participation, which contributed to their eventual closure. In Canada, the Social Venture Connexion which started in September 2013, describes itself as a "trusted connector" giving social entrepreneurs access to service providers, impact investors, high visibility and a way to evaluate their triple bottom line at competitive rates (EQUIPP, 2019 20).

4. **Regulatory Complexity:** It is one of the major limitations faced by international Social Stock Exchanges (SSEs). Since SSEs operate at the intersection of capital markets, social enterprises, and non-profit organizations, designing a suitable regulatory framework is challenging. Regulators must balance investor protection, transparency, and accountability, while preserving the social mission of participating organizations. For example, international SSE initiatives in Brazil, South Africa, Portugal, and the United Kingdom encountered operational difficulties due to limited market scale, fragmented regulatory structures, and insufficient demand for their services.

SSEs: SUCCESS FACTORS IN INTERNATIONAL EXCHANGES

The following factors have been commonly observed in successful Social Stock Exchanges (SSEs) internationally:

1. **Strong Regulatory Oversight:** Developed and enforced an effective regulatory framework to ensure transparency, accountability, investor protection, and enhances the credibility of the Social Stock Exchange.
2. **Standardized Impact Measurement Frameworks:** Implemented uniform methodologies for measuring and reporting social outcomes enables comparability across social enterprises and facilitates informed investment decisions.
3. **Independent Third-Party Verification:** Adopted external verification of social impact reports and disclosures increases reliability, minimizes the risk of impact-washing, and strengthens stakeholder confidence.
4. **Transparent Disclosure Requirements:** Maintained consistent disclosure of financial performance, governance practices, and social impact indicators promotes transparency and accountability among participating organizations.
5. **Government Support:** Growth-oriented government policies, tax incentives, grants, and capacity-building initiatives, encourage participation and contribute to the long-term sustainability of SSEs.
6. **Alignment with the United Nations Sustainable Development Goals (SDGs):** Successful SSEs aligned their activities with the 17 Sustainable Development Goals (SDGs) adopted by the United Nations. This alignment provided a globally recognized framework for measuring impact and attracts international investors seeking sustainable investment opportunities.

CRITICAL LESSONS FROM THE INTERNATIONAL EXPERIENCE

A deep analysis of the international scenario reveals that maintaining a social stock exchange is incredibly difficult. After recognizing these challenges, Indian policymakers examined the accomplishments and setbacks of international SSEs, while designing a more resilient regulatory framework under the Securities and Exchange Board of India (SEBI).

1. **The Survival Challenge:** SSE platforms in places like South Africa (SASIX) and Portugal struggled with financial viability. A major study found that nearly 75% of global impact platforms failed to generate enough standalone revenue to cover their basic operational costs, requiring continuous philanthropic backing.
2. **The Liquidity Problem:** Since social investments are linked to long-term social and environmental outcomes, such as poverty elimination and carbon emission reduction, rather than short-term financial returns, secondary market trading remains limited. As a result, investors often find it difficult to obtain quick exit opportunities.
3. **The Sizing Bias:** One of the challenges faced by international Social Stock Exchanges (SSEs) is sizing bias. Small grassroots non-profit organizations often lack the financial, accounting, and administrative capacity to meet stringent listing and regulatory requirements. Consequently, SSEs tend to favour larger, well-established organizations with stronger governance structures and higher revenues.
4. **The Risk of "Impact Washing":** Another key obstacle faced by international Social Stock Exchanges (SSEs) is the risk of "Impact Washing." Without clear impact

definitions, standardized measurement frameworks, and independent third-party verification (called certified Social Impact Assessors), Social enterprises may exaggerate or overstate their social contributions to attract funding. This can undermine investor confidence and damage the credibility of the SSE ecosystem.

IS INDIA'S SSE STRUCTURED TO OVERCOME THESE GLOBAL HURDLES?

To prevent the structural failures that led to the closure of several Social Stock Exchanges (SSEs) in Europe and Africa, India's Social Stock Exchange was operationalised under the regulatory supervision of the Securities and Exchange Board of India (SEBI). Rather than establishing a standalone exchange, India developed and implemented an integrated model by creating the SSE as a separate segment within the existing stock exchanges, namely the National Stock Exchange of India (NSE) and the Bombay Stock Exchange (BSE). This approach immediately addressed the fundamental challenge of operational sustainability by leveraging the existing market infrastructure, governance mechanisms, investor base, and regulatory systems.

Furthermore, key lessons, derived from international experiences, have been incorporated into the Indian SSE framework through a series of SEBI circulars, notifications, and recent notifications issued by the Ministry of Corporate Affairs (MCA). These measures have addressed several structural and operational challenges in the following ways:

1. **Bypassing the "Liquidity" Problem: The ZCZP Instrument:** International SSEs faced low liquidity because NPOs do not generate financial returns, leading to poor trading activity.

   India introduced the Zero Coupon Zero Principal (ZCZP) instrument, a unique security designed specifically for NPOs. Under a ZCZP instrument, investors receive no interest (Zero Coupon) and no repayment of principal (Zero Principal). Although, legally classified as a security, it functions as a structured donation rather than a traditional investment. This model eliminates the need for a liquid secondary market, overcoming a key weakness that affected several international SSEs. Funds raised are used for specific social projects with a defined tenure, such as healthcare, education, skill development, and livelihood programmes. The instrument aligns investor expectations with social impact objectives, creating a sustainable funding mechanism for NPOs.

2. **Solving the Funding Bottleneck through CSR Integration:** International SSEs struggled to maintain a steady flow of capital due to limited and inconsistent investor participation.

   India addressed this challenge by leveraging its mandatory Corporate Social Responsibility (CSR) framework under Section 135 of the Companies Act, 2013, which requires eligible companies to spend at least 2% of the average net profits of the preceding three years on CSR activities. In 2026, the Ministry of Corporate Affairs (MCA) expanded scope of Schedule VII of the Companies Act permitting companies to treat subscriptions to Zero Coupon Zero Principal (ZCZP) instruments as eligible CSR expenditure, subject to a maximum limit of 10% of the annual CSR budget. This integration creates a stable and predictable source of funding for Social Stock Exchanges due to the following reasons:

   - Companies investing through ZCZP instruments are exempt from undertaking independent impact assessments, as the SSE framework already provides rigorous monitoring and reporting mechanisms.
   - To encourage wider public participation, SEBI reduced the minimum retail investment amount to ₹1,000/-, making social investing accessible to ordinary citizens. Individuals can now support verified social projects through their demat accounts, similar to investing in mutual funds.

   These measures strengthen the SSE ecosystem by broadening investor participation, improving funding stability, and enhancing accessibility.

3. **Preventing "Impact Washing" through Social Impact Assessors:** International SSEs faced the risk of "impact washing," where Social Enterprises could exaggerate or misrepresent their social outcomes to attract funding.

   India addressed this challenge by introducing a new professional category of Social Impact Assessors. Social Impact Assessors are certified professionals who independently assess actual social outcomes and ground-level impact. In place of merely disclosing how much money has been spent, listed Non-Profit-Organisations (NPOs) are also required to report standardized Annual Disclosure Metrics prescribed by SEBI. These disclosures focus on measurable social outcomes, transparency, and accountability rather than only financial expenditures. Independent social impact assessments enhance the credibility and reliability of impact claims, reducing the possibility of misleading information.

   This framework strengthens investor confidence, promotes evidence-based decision-making, and safeguards the integrity of India's Social Stock Exchange ecosystem.

Impact Reporting:

At present, impact reporting on the SSE largely focuses on activities and outputs: how many people received seed funding, how many women were trained, how many small businesses were started, and how much money was spent. What it often does not tell us is what happened afterward.

Take a livelihoods or micro-enterprise programme as an example. Reports may show how many women received training or seed capital and how many businesses were launched. But did those businesses survive beyond the first year? Did household incomes actually increase? Were families better off two or three years later? These are the outcomes that matter most to the people affected, yet they are often the hardest to measure.

This gap does not necessarily reflect poor performance or a lack of transparency. Tracking long-term outcomes is genuinely difficult for several reasons:

- It requires significant time and resources. Following up with the same families or enterprises over multiple years can be expensive, particularly for smaller grassroots organizations with limited budgets.
- Outcomes are harder to standardize and compare. Metrics such as "100 people trained" are relatively easy to report across organizations. Measuring whether lives actually improved is far more complex, and different organizations often use different methods and indicators.
- Impact takes longer to emerge than funding cycles allow. Many grants and programmes operate on one- or two-year timelines, while meaningful changes—such as a business becoming financially stable or a family's income remaining consistently higher—may only become visible after funding has ended.

As a result, although impact assessment, disclosures, and reporting requirements have improved transparency around how funds are used, a significant gap remains between demonstrating that money was spent as intended and demonstrating that it produced lasting improvements in people's lives.

Source: *Authors inputs*

4. **The 2026 Inclusivity Reforms - Supporting Smaller NPOs:** Historically, stringent listing requirements meant that only large and well-established NPOs could meet the compliance and administrative demands of stock market participation.

To improve inclusivity, SEBI introduced procedural relaxations in 2026 to encourage the participation of smaller and regional NPOs. Registered NPOs are provided with a two-year transition period to strengthen their internal governance systems and build relationships with investors before being required to issue their first Zero Coupon Zero Principal (ZCZP) instrument. SEBI also relaxed the minimum subscription requirement for public issues in certain cases. Earlier, an issue would fail if it did not achieve 75% subscription. This threshold has now been reduced to 50% in special circumstances. These reforms reduce fund-raising pressure and lower entry barriers for grassroots organizations.

Overall, the measures enhance accessibility, inclusiveness, and participation, enabling smaller NPOs to benefit from the Social Stock Exchange ecosystem.

COMPARATIVE ANALYSIS OF DOMESTIC (INDIA) vs. INTERNATIONAL SOCIAL STOCK EXCHANGE (SSE)

The following table presents a comparative analysis of India's Social Stock Exchange (SSE) and international Social Stock Exchanges, highlighting the key differences in their regulatory framework, funding mechanisms, liquidity models, impact measurement systems, and overall sustainability.

Parameter	International SSE	Indian SSE
Regulatory Framework	• Regulatory structures vary considerably. • Some countries rely more on voluntary disclosures.	• Highly regulated by Securities and Exchange Board of India (SEBI). • Comprehensive eligibility and disclosure norms. • Continuous monitoring mechanisms.
Institutional Operational Structure	Exchanges functioned independently and struggled to achieve financial sustainability: • UK: Affiliated with traditional exchanges. • Canada: Private investment platform. • Singapore: Cross-border impact exchange. • Brazil: Donation platform.	SSE operates as a separate segment within existing infrastructure, reducing operational costs: • National Stock Exchange of India • BSE Limited
Funding Source	Relied mainly on: • Voluntary philanthropic contributions and • Impact investors, resulting in inconsistent capital flows.	Supported by multiple funding channels, including: • Corporate Social Responsibility (CSR) funds, • Retail Investors, and • Institutional Investors.
Liquidity Mechanism	Faced severe liquidity constraints due to limited trading activity.	Introduced Zero Coupon Zero Principal (ZCZP) instruments, eliminating dependence on a secondary market.
Investor Returns	Limited or unclear financial returns discouraged participation.	Investors contribute primarily for social impact, with ZCZP instruments functioning as structured donations.

CSR Integration	No formal integration with mandatory corporate spending frameworks in most countries.	CSR contributions under Section 135 of the Companies Act can be channelled through ZCZP instruments, subject to prescribed limits.
Impact Measurement	Practices differ: • UK: Strong measurement systems. • Singapore: Advanced frameworks. • Brazil: Moderate reporting.	Mandatory disclosures requirement prescribed by SEBI include: • Annual Impact Report • Social Impact Assessment • Outcome indicators • Beneficiary reporting.
Prevention of Impact Washing	Weak verification mechanisms increased the risk of exaggerated impact claims.	Independent Social Impact Assessors verify social outcomes and enhance transparency.
Accessibility for Smaller NPOs	Strict compliance requirements often favoured large organizations.	SEBI introduced procedural relaxations, transition periods, and lower subscription thresholds to support smaller and regional NPOs.
Sustainability	Several SSEs, particularly in Europe and Africa, were discontinued due to insufficient scale and demand.	Designed to be sustainable through integration with existing exchanges, regulatory support, and diversified funding sources.

Source: *Author's inputs from secondary research.*

India's Social Stock Exchange has adopted a regulated, integrated, and impact-driven model that directly addresses many of the shortcomings experienced by international SSEs. By combining SEBI oversight, ZCZP instruments, CSR integration, independent social impact assessments, and inclusive reforms, India has created a more sustainable ecosystem for mobilizing capital toward measurable social outcomes.

CONCLUSION

The emergence of Social Stock Exchanges (SSEs) represents an innovative approach to addressing the financing gap faced by social enterprises and impact-driven organizations worldwide. Over the past two decades, several countries have experimented with different SSE models with varying degrees of success. While countries such as Canada, Singapore, and Jamaica have developed sustainable ecosystems, earlier initiatives in Brazil, South Africa, Portugal, and the United Kingdom were unable to achieve long-term sustainability due to limited scale, inadequate investor participation, liquidity constraints, and unsustainable business models.

Drawing upon these international experiences, India established its Social Stock Exchange in 2022 under the regulatory oversight of the Securities and Exchange Board of India (SEBI). Instead of creating a standalone platform, India adopted an integrated approach by operating the SSE as a separate segment within the National Stock Exchange of India and the Bombay Stock Exchange. This institutional design leverages existing market infrastructure, governance systems, and investor networks, thereby enhancing operational sustainability.

Overall, India's Social Stock Exchange represents a significant evolution in impact financing. By combining strong regulatory oversight, innovative financing instruments, robust governance mechanisms, and inclusive participation, India has developed a more resilient and sustainable model that addresses many of the structural weaknesses that limited the success of earlier international Social Stock Exchanges. If effectively implemented and continuously strengthened, the Indian SSE could emerge as a global benchmark for mobilizing capital towards measurable social and environmental outcomes while advancing sustainable and inclusive development objectives.

Note: *The article is based on publicly available information obtained from SEBI regulations, Ministry of Corporate Affairs notifications, international Social Stock Exchange reports, and publications from global organizations relating to impact investing and sustainable finance.*

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