

Impact of the Social Stock Exchange (SSE) of India for Achieving Sustainable Development Goals (SDGs)

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ABSTRACT

Purpose: Social Stock Exchange or SSE is for enterprises that work for the welfare of the society or community. These enterprises should be set up as charitable associations. SSE's objective is to provide an alternative fund-raising instrument to such organisations. To create a platform for Social Impact Investing in India, to address the funding gap and to encourage more investment in the social, environment the social stock exchange unveiled in the 2019 -20 Budget Speech by the Union Finance Minister and SEBI has formed a working group for formalizing Social Stock Exchange (SSE), Social Stock Exchange reduce the finance gap, alleviate poverty, create a better society and contribute economic development. United Nations Development Programme (UNDP) states that India needs 1 trillion per year and NITI Aayog estimate that funding equivalent to 13% of GDP is required to achieve SDG by 2030, in FY2022 Social Sector funding percentage is 9.6% of GDP. Social Stock Exchange trading platforms allow social enterprises(SE), NGOs, Civil Society organizations (CSOs), Non-Profit organizations(NPOs),and profit Enterprises (FPEs), can raise funds, through instruments like Zero coupons Zero Principal bonds(ZCZP), Donations, Social Finance, Mutual Funds, Development Impact Bonds, Social Venture Funds (SVF) both debt and equity will address the funding gap and encourage more investment in Social, Environment Cause and also encourage the SMEs start the of social Incubators/Accelerators. Brazil, South Africa, Jamaica, the UK, Canada, Portugal and Singapore have already established Social Stock Exchanges (SSE).On February 22, 2023, SEBI gave the green signal to the National Stock Exchange (NSE) to launch the Social Stock Exchange. At present, only Institutional Investors and Non-Institutional Investors are allowed to invest in the SSE.

Methodology: This study is solely based on secondary data, policy documents, case studies, and the literature reviews of several scholars. The study collects information from online journals, e- papers, newspaper stories, and websites of the Government agencies for the present research article.

Results & Discussion: The Main impact of this research paper A case study on 6.4 Case study of SGBS Unnati Foundation and ABCD analysis gives more insight into Social Stock Exchange (SSE) of India for Achieving Sustainable Development Goals

Originality/Value: 5 S Models for Social Stock Exchange Highlights the Social Stock Exchange (SSE) of India for Achieving Sustainable Development Goals (SDGs.)

Social Implication: To facilitate funding requirements through listing- Profit, Non-profit, and Social enterprises can meet the welfare of society.

Type of Research: Exploratory Case Study.

Keywords: For-profit social Enterprise, Not-for-profit organization, Social Stock Exchange, Sustainable Development Goals (SDGs), National Stock Exchange, Security Exchange Board of India (SEBI), Impact Investing, Social Finance.

1. INTRODUCTION :

The Social Stock Exchange (SSE) in India represents a groundbreaking initiative that seeks to leverage the power of financial markets to drive positive social and environmental change. This innovative platform aims to channel investment towards organizations and enterprises that are committed to achieving Sustainable Development Goals (SDGs). The impact of the Social Stock Exchange on India's journey toward sustainable development is multifaceted, encompassing economic, social, and environmental dimensions. Financial Mobilization for Social Enterprises: The SSE serves as a dedicated marketplace for social enterprises and organizations with a clear focus on addressing societal challenges aligned with the SDGs. By providing a platform where impact-driven entities can raise capital, the SSE facilitates financial mobilization for initiatives that might otherwise struggle to attract funding through conventional channels. This can lead to the scaling up of projects with a substantial positive impact on communities and the environment. Alignment with SDGs: One of the primary objectives of the SSE is to encourage investments in ventures that directly contribute to achieving the SDGs. Investors on the SSE can confidently support enterprises that have demonstrated a commitment to social and environmental responsibility. This alignment ensures that capital is directed toward businesses that are actively working to tackle poverty, inequality, climate change, and other global challenges outlined in the SDGs.

Increased Transparency and Accountability: For enterprises to be listed on the SSE, they must adhere to rigorous impact reporting and disclosure standards. This requirement enhances transparency and accountability, providing investors with clear insights into the social and environmental outcomes of their investments. This, in turn, fosters a culture of responsible business practices, encouraging organizations to continually strive for positive impact. Mainstreaming Impact Investing: The SSE plays a crucial role in mainstreaming impact investing by integrating social and environmental considerations into the financial market. As the platform gains prominence, it contributes to reshaping the investment landscape by demonstrating that financial returns and positive societal outcomes are not mutually exclusive. This shift in mindset can influence traditional investors and financial institutions to adopt more sustainable and ethical investment practices. Community Empowerment and Inclusive Growth: By promoting investment in social enterprises, the SSE contributes to community empowerment and inclusive growth. Socially responsible businesses often prioritize local hiring, skill development, and community engagement. This results in the creation of sustainable livelihoods and the enhancement of overall socio-economic well-being, aligning with the broader goals of sustainable development.

2. REVIEW OF LITERATURE :

Many research articles reviewed and captured the focus area in their articles and listed in Table 1. This study will help the finding out the research gap of the study.

Table 1: Showing review of literature

S. No.	Focus	Author & Year
1	Encouraging more foreign direct investment in waste management, ecotourism, renewable energy, organic agriculture, and the development of new-age technology in MSMEs is crucial. Collaborations with global partners are essential for effectively addressing climate change, as major companies are transitioning to green energy to reduce their environmental impact. Regulations should prioritize the green economy, with ESG funds and sustainable finance presenting lucrative opportunities for both investors and corporations, positively influencing environmental and economic growth. However, the growth in these areas has been inconsistent, highlighting the need for government-initiated policy measures to support the adoption of sustainable finance in the global ESG movement.	Mahesh K. M. et al. (2022). [1]

2	This paper aims to understand, analyze, and interpret the role of social entrepreneurs in promoting sustainable development. It makes a significant contribution to existing literature by evaluating the government's policy framework on social entrepreneurship in relation to the Sustainable Development Goals (SDGs). Additionally, the paper traces the origin and evolution of social entrepreneurship in India. Utilizing data from various government, non-government, and international agency sources, the research achieves its objectives. The paper concludes with policy recommendations to enhance social entrepreneurship, ensuring alignment with the Sustainable Development Goals for sustainable development.	Bansal et al. (2020). [2]
3	Sustainable development tackles global challenges, while social enterprises (SE) focus on creating positive social change. The goals of social enterprises are closely aligned with the Sustainable Development Goals (SDGs), aiming to improve the quality of life. To enhance the understanding of how social enterprises contribute to SDGs, this study was conducted with two main objectives: first, to reduce the complexity of measuring SE impact by synthesizing the triple bottom line approach, and second, to link SE values directly to the SDGs. The thematic review results yield three significant findings: 1) measurement imbalances in SEs, 2) the relationship between SE capabilities, governance, and partner support, and 3) achieving SDGs through investments in basic SE infrastructure development for society.	Kassim, E. S. et al. (2020). [3]
4	Social finance is a critical issue in India, particularly for goods and services aimed at disadvantaged and poorer sections of society. In the recent budget speech, the Indian finance ministry proposed creating a dedicated system for fundraising to support these communities. The social stock exchange, a platform where social enterprises, volunteer groups, and welfare organizations can list and raise capital, was introduced. This proposal has garnered significant attention, with social entrepreneurs and others suggesting it could revolutionize how they attract investors. Through social finance, impact investors can support enterprises that profitably serve underserved populations by expanding access to essential goods and services, such as healthcare, affordable housing, credit, and quality employment.	Adhana, D. (2020). [5]
5	In this study, we thoroughly examined the effectiveness of the Sustainable Development Goals (SDGs) through the lens of social ecology. Our approach highlights the intricate connections between societal transformation and the biophysical interactions between society and the natural environment, emphasizing their ongoing co-evolution. Achieving sustainable transformation requires acknowledging planetary boundaries and recognizing the interdependence between socio-economic activities and their biophysical foundations.	Eisenmenger et al. (2020). [6]

3. RESEARCH GAP :

The research on the impact of the Social Stock Exchange (SSE) of India in achieving Sustainable Development Goals (SDGs) reveals notable gaps warranting further exploration. Firstly, the absence of standardized metrics for evaluating the social and environmental impact of SSE-listed entities poses a significant challenge in assessing their contribution to SDGs. Secondly, there is a need to rigorously evaluate the efficacy of SSE in mobilizing capital for projects aligned with SDGs,

examining whether it attracts investors committed to sustainable development. Additionally, the inclusivity of stakeholders.

Within SSE demands scrutiny, focusing on whether diverse sectors are adequately represented. The transparency and accuracy of reporting practices by SSE-listed companies regarding their impact on SDGs also necessitate closer examination. Furthermore, understanding the role of SSE in addressing social inequalities and directing investments towards marginalized communities is an underexplored area. The impact of government policies and regulations on SSE's ability to promote and achieve SDGs remains insufficiently investigated. Assessing the long-term sustainability of SSE and its comparison with traditional stock exchanges in India could offer valuable insights. In-depth case studies on specific SSE-listed companies would provide a nuanced understanding of their strategies, challenges, and successes in contributing to SDGs. Lastly, exploring investor perceptions and behaviors towards SSE-listed securities can shed light on how financial markets influence the achievement of sustainable development objectives.

4. OBJECTIVES OF STUDY :

- (1) To Understand the Social Stock Exchange SSE of India.
- (2) To highlight the number of Social Enterprises registered in SSE.
- (3) To identify the contribution of SSE to the Sustainable Development Goals.
- (4) To Study the types of Social Stock Exchange Financial Instruments for raising the funds.

5. METHODOLOGY :

The current study is a conceptual study that is based on secondary data as well as relevant articles and official websites, journals, newspapers, books, and reports.

6. CONCEPTUAL ANALYSIS :

6.1 Types of Social enterprises and Investments:

Fund raising instruments impact for nonprofit enterprises on FPE's and NPO's.

Table 2: Types of Social enterprises and Investments

Types of Social enterprises	Investments
Non Profit Social enterprises	➤ Zero price principal bonds ➤ Social venture funds ➤ Mutual funds
For Profit Social Enterprises	Equity listing social venture funds

6.2 Impact area of SSE in fund raising:

The Social Stock Exchange (SSE) in India has transformed the landscape of fund raising by providing a dedicated platform for impact-driven enterprises. It serves as a catalyst for raising capital exclusively for projects aligned with Sustainable Development Goals (SDGs). The SSE has widened the funding avenues for social enterprises, attracting socially conscious investors eager to support initiatives with a positive societal impact. Through enhanced visibility and credibility, listed organizations on the SSE have easier access to capital, facilitating their growth and amplifying their mission-driven impact.

6.3 Case study of SGBS Unnati Foundation:

It is the first NPO listed in the social stock exchange. Social stock exchange promotes and encourages the social enterprise to raise the funds for social projects. Both NSE and BSE have set-up social Stock Exchange for facilitating fund raising.

SGBS Unnati Foundation, Bangalore based a Not-For-Profit organization is the First NPO listed Both BSE and NSE. The instrument offered to raise the Fund is Zero -Coupon-Zero-Principal (ZCZP) bond for 2crore. Impact of fund raising: Driving Principal of SGBS Unnati Foundation is create inclusive Society and providing skill set to the underprivileged and deserved youth.

7. CONCEPTUAL MODEL ON 5 S MODELS ON SOCIAL STOCK EXCHANGE :

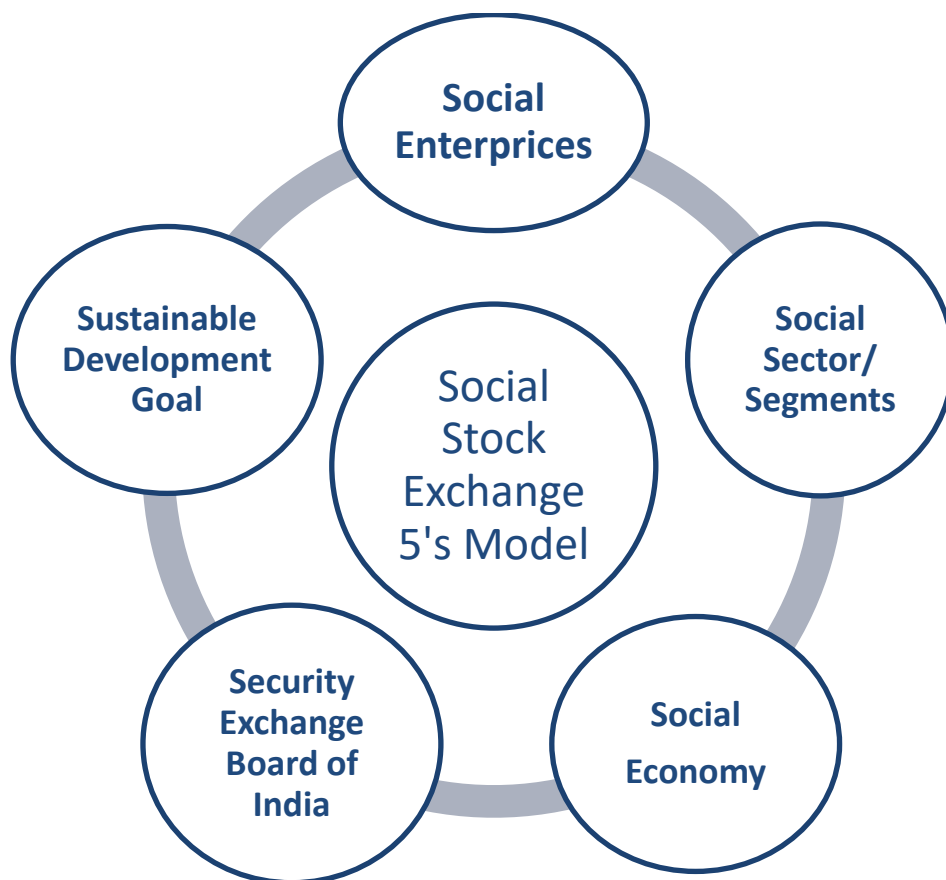


Fig 1: 5 S Models for Social Stock Exchange

Source: Author

7.1 Social Enterprises:

Social stock exchange provides and regulates social enterprises to raise free funds for social ventures. There are two types of social enterprises, NPO's and FPE's. Only social enterprise list in NSE or BSE, they publish an annual report (impact of social work for profit social enterprise). This social enterprise can raise fund through 2C2P, DIB's – social impact funds. Social enterprise can bring transformation of mutual funds social sectors. At present social enterprise contributes towards sustainable development.

7.2 Social sectors/Segments:

Social stock exchange will promote social enterprises to raise funds for social impact sectors along with SDG's.

Table 3: Social sectors/Segments

Segment	Sub-sectors
Environment	Environment sustainability, Climate change, Forest, wildlife conservation, clean skill technology
Education development incubators of social enterprise training	Promoting education, employability and livelihood and rural sports
Social and Health	Health care mental healthcare , safe driving, water, sanitation, empowerment of women, eradicating hunger, Poverty

7.3 Social Economy:

Social stock exchange address the societal challenges through social enterprises by channeling capital on social impact ventures in the areas of poverty alleviation, healthcare, educating on skilling and employability, financial inclusion to bring positive usage people, productive philanthropist and profit funds used in the right direction and create social economy.

7.4 Security Exchange Board of India:

- The Securities and Exchange Board of India (SEBI) has established a comprehensive regulatory framework for the Social Stock Exchange (SSE) to ensure transparency, accountability, and investor protection. This framework includes guidelines for listing, disclosure requirements, and reporting standards tailored to social enterprises and non-profits.
- SEBI has defined specific eligibility criteria for organizations wishing to list on the SSE. This includes social enterprises, non-profits, and for-profit companies with a primary social impact objective. These entities must meet certain standards related to their social impact, governance, and financial performance.
- SEBI mandates rigorous impact reporting for entities listed on the SSE. This involves regular disclosure of social impact metrics, financial performance, and progress towards achieving Sustainable Development Goals (SDGs). The aim is to provide transparency and build investor confidence in the social impact of listed entities.
- To protect investors, SEBI has implemented measures such as due diligence processes, risk assessments, and grievance redressal mechanisms. These protections are designed to ensure that investments in social enterprises are secure and that investors are well-informed about potential risks and returns.
- SEBI plays a crucial role in promoting the SSE by conducting awareness campaigns and capacity-building programs for social enterprises and investors. These initiatives aim to educate stakeholders about the benefits and functioning of the SSE, thereby fostering a robust ecosystem for social impact investing in India.

7.5 Sustainable development goals:

Sustainable development goals are most important goals at the world today social stock exchange policy and regulations are prioritize the SDG's in social entrepreneur framework social stock exchange has to impact on these areas of SDGS and to bring about positive change in society.

Table 4: Sustainable development goals and their focus area

SDG's	Focus
SDG 3 Good Health And Well-Being	Profit for social enterprises healthcare venture can register for Investment funds for establishing intra culture.
SDG 5 Gender Equality	Social stock exchange empowers the women social entrepreneurs can raise the funds for social and sustainable mission and LGBTQAI (Lesbia, Gay, Bisexual, Transgender, Queer, Intersex Asexual) Empowerment of women groups
SDG 8 Decent Workers Decent Work and Economic	Social stock exchange mobile eyes resource from domestic donors and help the social entrepreneurs as well as NPO's to access the finance for creating work and sustainable economic growth. Social sector Contributes 2% Indian GDP
SDG 9 Industry Innovation and Infrastructure	Social stock exchange promotes inclusive and sustainable industrialization to build resilient infrastructure for the wellbeing of the Society through listing of social enterprises in the stock exchange for rising fund for social economic and environmental challenges
SDG 17 Partnerships For Goals	Globally social stock exchange each countries have unique formalities Helps to develop innovative platform for social business

Source: Author

8. ABCD ANALYSIS :

ABCD analysis identifies advantages, benefits, constraints and disadvantages from various stakeholder's point of views [7-12]. This analysis gives more clarity about social stock exchange to achieve sustainable growth.

8.1 Advantages:

- (1) Capital markets through SSE provided platform meets social welfare objectives.
- (2) Social Stock Exchange has impact on the Sustainable Development Goals in the area of poverty, gender equality, women empowerment, financial inclusion, zero carbon emission, and livelihood.
- (3) SSE bridges the finance gap by providing listing opportunity for social enterprises.
- (4) SSE promotes the impact investing and alternative investments areas.
- (5) The issue (1 crore) and minimum subscription (2 lakh) size for the NPO is very large.

8.2 Benefits:

- (1) SSE provides platform for Social Entrepreneurs have positive impact on the society.
- (2) SSE encourage the ESG for more sustainable.
- (3) It promotes more collaboration among social Entrepreneur and investors.
- (4) It provides platform for access the credit requirements of social Business.
- (5) It impacts on greater transparency in disclosure of social and Environment Goals and social audit for the social Entrepreneur.

8.3 Constraints:

- (1) Social impact measurements framework not yet published
- (2) Not for profit and for-profit platform can raise the funds without any difference in legal criteria.
- (3) It difficult to Assessing Return on investment of the social enterprise
- (4) Dual listing for Social Enterprise in NSE and BSE has to full fill regulation requirements for fundraising.
- (5) Social enterprise constrains funds from FIIs.

8.4 Disadvantages:

- (1) Social stock Exchange has not provided the opportunity for foreign investors like FIIs, FPIs or NRIs to invest in the social enterprise.
- (2) Instruments issued by Non-profit- organization are not permitted for trading in secondary market.
- (3) Retail investors are not allowed to investing the social stock Exchange in case of NPO.
- (4) Not-for-organization can't issue equity shares for alternative fund investment.
- (5) Chances of misuse of funds raised by For-profit-organisation through Social Stock Exchange.

9. SUGGESTIONS :

- (1) Suggest initiatives to raise awareness and educate potential investors and social enterprises about the benefits and opportunities presented by the SSE.
- (2) Showcase case studies of successful social enterprises listed on the Indian SSE, detailing their contributions to specific SDGs to illustrate the tangible impact of the exchange.
- (3) Recommend active engagement and collaboration among investors, social enterprises, government bodies, and civil society to foster a supportive ecosystem for the SSE.
- (4) Advocate for the continuous review and adaptation of policies and regulations to ensure they are conducive to the growth and effectiveness of the SSE in advancing SDGs.

10. CONCLUSION :

The establishment of the Social Stock Exchange (SSE) in India has emerged as a pioneering initiative with the potential to significantly contribute to the achievement of Sustainable Development Goals (SDGs). The SSE serves as a unique platform that aligns financial markets with social and environmental objectives, fostering a new era of responsible and sustainable investing. Through the SSE, impact-driven enterprises gain access to a dedicated marketplace, attracting socially conscious investors who prioritize both financial returns and positive societal outcomes. This symbiotic relationship creates a powerful ecosystem that channels capital towards ventures addressing pressing

social and environmental challenges.

The Social Stock Exchange in India stands as a beacon of hope, illustrating how financial markets can be harnessed as a force for good. By aligning investment strategies with the SDGs, the SSE has the potential to reshape the landscape of finance, promoting a more inclusive, sustainable, and socially responsible approach to wealth creation. As the SSE model evolves and expands, its impact on sustainable development will likely reverberate not only within India but also on the global stage, inspiring a paradigm shift towards a more socially conscious and environmentally sustainable future.

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