Social Stock Exchange

Invest like donor, track like shareholder

Every SSE listing goes through months of due diligence, financial and social audits.

by **Abhinav Kaul**

Most investors know the BSE and the NSE as places to buy shares and chase returns. But few know that both exchanges now run a segment where the "return" is not money, but a way to do charitable donations. This is the Social Stock Exchange (SSE).

What is the SSE?

First proposed by Finance Minister Nirmala Sitharaman in the 2019-20 Budget as an electronic fund-raising platform, the SSE is a separate segment of the existing stock exchanges.

It connects credible social enterprises, both non-profit organisations (NPOs) and for-profit enterprises, with fund providers, using the familiar machinery of the stock market to route philanthropic capital and, crucially, hold recipients accountable for it.

To register, an NPO must be a society, trust or Section 8 company with a three-year track record and valid registrations. Its work must fall within a list of eligible activities aligned to national development and the sustainable development goals (SDGs)—hunger, healthcare, education, gender equality, environmental sustainability, financial inclusion, and such. Political and religious bodies, corporate foundations and trade associations are barred.

How it works

For NPOs, the primary instrument is the zero coupon zero principal (ZCZP) bond. As the name suggests, it pays zero interest and zero returns on principal. The investor is, in effect, a donor. What these bonds buy is a stake in a specific, time-bound project. Their mechanics are deliberately modelled on an initial public offering (IPO).

Anuja Kishore, Chief Strategy and Transformation Officer, Lighthouse Communities Foundation, says, "It's very similar to how a corporate will list an issue." A Pune-based NPO set up in 2011 that equips underserved youth aged 18-35 with agency, opportunities to build confidence and skills, and access livelihood pathways, Lighthouse Communities is in the process of listing on the SSE. "You have to onboard a merchant banker, open an escrow account, work with NSDL and CDSL, and a marketing firm," adds Kishore.

The ZCZP is issued in dematerialised form only, has a minimum issue size of ₹50 lakh, and a minimum application size of just ₹1,000. The subscription window runs three to 10 days, so commitments must be lined up before the issue opens. The bond cannot be traded, has no secondary market, and its tenure is tied to the project's duration. Once the issue closes, ZCZP units land in that account.

That retail reach is what draws non-governmental organisations (NGOs) in. Friends Union for Energising Lives (FUEL), founded in 2007 to empower youth through education and skills, has already completed an issue—a roughly ₹1-crore ZCZP raise, opened on 30 March, that funded the education of 40 girls.

To sponsor them, FUEL reached out to corporations over a 15-day canvassing window. The trust's founder-chairman Ketan Deshpande says, "We had very good examples: a security guard's daughter was to be brought into the mainstream of education, and volunteers of his company came together and bid the issue." As the issue was available on Zerodha, "almost 23% of people whom we didn't know invested and donated money."

The credibility test

The strongest argument for the SSE over writing a cheque directly to an NGO is trust, earned through scrutiny. Every listing applicant undergoes extensive due-diligence—financial, social and statutory—a hard look at how money reaches the last-mile beneficiary.

Kishore says, "The process is excruciatingly time consuming." For a retail donor who can't personally vet a charity, that vetting is done for them. "A donor in Lucknow doesn't know us. But if they see it on the BSE SSE portal, there is a certain level of confidence."

For Deshpande, that's the core of the pitch: "In a population where it's hard to identify a credible organisation, I look at this as a more credible donation platform." The listing discipline also changed how funders saw FUEL. "Companies thought, 'you are doing public disclosure as mandated for a for-profit company'. The credibility, visibility increased; and their contribution increased that way."

Ramesh Daswani, CEO of Light of Life Trust, points to how tightly the money is ring-fenced. Unlike a general donation, ZCZP funds are legally tied to a named project. "You cannot ask for money for an existing programme. You have to ask for money dedicated to a new programme or initiative," he says. "The donor is 100% assured that the money is going for a particular cause." A non-profit founded in 2002 that works to break inter-generational poverty in remote villages, Light of Life is eyeing listing on the SSE.

What's in it for investors?

For NGOs, the SSE opens a door that was previously shut. Traditionally, says Kishore, funding came from just two channels—corporate social responsibility (CSR) and philanthropic institutions—with high net-worth individuals (HNIs) hard to reach. Early movers through the SSE route were HNIs pledging large sums; later rounds have drawn smaller cheques from salaried donors.

For the investor, the appeal is convenience on top of trust. "You get your 80G exemption, plus you don't have to chase the company for reports. Sebi (Securities and Exchange Board of India) regulations will give you the report, utilisation and progress," says Deshpande. Corporate donors get a bonus: a company subscribing to a ZCZP is exempt from conducting its own impact assessment, which otherwise carries heavy documentation costs.

The cost comparison is compelling too. Deshpande puts his issue's fund-raising cost at 4-5%, against 8-12% for traditional routes; Daswani pegs listing costs at about 5% for a first-timer, falling to 2-3% for larger issues, versus 10-13% otherwise.

What needs fixing

Kishore's main ask is that regulators accept a single due-diligence exercise for multiple listing rounds. "Every time you list, you have to open a new escrow account. As an NGO, one is very under-resourced; at any given point, you need five or six dedicated people," across compliance, finance and marketing, she explains.

Daswani wants no cap on the CSR funds a company can route to SSE issues—currently 10% of its CSR spend—and marketing support. "The SSE should be our partner to market the issue. We don't have large budgets like major companies for an IPO. How do I tell my donor that I am coming out with an issue?"

Deshpande would open up grant-making itself, with PSUs routing their CSR calls for proposals through the SSE the way they float tenders. "If the call for applications is made transparent through such platforms, many deserving organisations will be able to apply" helping NGOs that lack big players' network connections.

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A trusted route for charity

What is the Social Stock Exchange?

It is Sebi-regulated segment of the NSE and BSE that enables social enterprises to raise funds through the stock exchange mechanism.

How does it function?

An NPO applies for registration/ listing on SSE. → **The exchange** reviews eligibility and disclosures. → **The enterprise** launches a fund-raising issue. → **Investors/ donors** subscribe. → **Funds** are transferred to the organisation. → **The organisation** executes the project. → **Regular disclosures** are made.

What is a ZCZP bond?

- A 'zero coupon zero principal' instrument
- The lone fundraising instrument on the SSE
- Resembles a bond but works very differently

How ZCZP bond works

Investor/ donor → Buys ZCZP Instrument → Money goes to a registered NGO → Funds are used for one specific project → NGO submits impact reports and utilisation reports → Investor receives social impact–not financial returns

Do these bonds pay returns?

Unlike conventional bonds, there is:

- No interest ('zero coupon')
- No principal repayment ('zero principal')

What is the minimum investment?

Minimum application size: ₹1,000

Minimum issue size: ₹50 lakh

Why should someone use the SSE?

Transparency: Every listed entity has to make regular disclosures on finances and social impact.

Accountability: Money must be used for the project described in the fundraising document.

Better governance: Organisations follow disclosure norms similar to listed entities.

Impact measurement: Investors can see number of beneficiaries, project progress and social outcomes.