

An Analysis of Not-For-Profits' Initial Foray into SSE Fundraising

Mr. Sagar Uttam Shinde

Assistant Professor

Vaidyanath College, Department of Commerce & Management,
Parli-Vajnath, Dist. Beed, Maharashtra 431515

prof.sagar4u@gmail.com

The concept of impact investment through the Social Stock Exchange (SSE) came into existence with the budget speech of 2019. Not-for-Profit Organizations (NPOs) had a considerable amount of social impact before raising funds through SSE. There is a distinction between direct donations and investing through SSE. Unlike direct donations, this method of supporting social causes is organised and comes with extra benefits, including reliability, accountability, and potential tax incentives. To date, seven companies have raised funds through SSE using the Zero Coupon Zero Principal (ZCZP) instrument. The present research article overviews the proposed social impact together with the outcome for the objective of the issue. It also compares the share issue expenses. Offering a transparent and organised venue for impact investments, the SSE is an innovative initiative in India. After completion of the project, calculating the impact and outcome of SSE projects gives scope for further research.

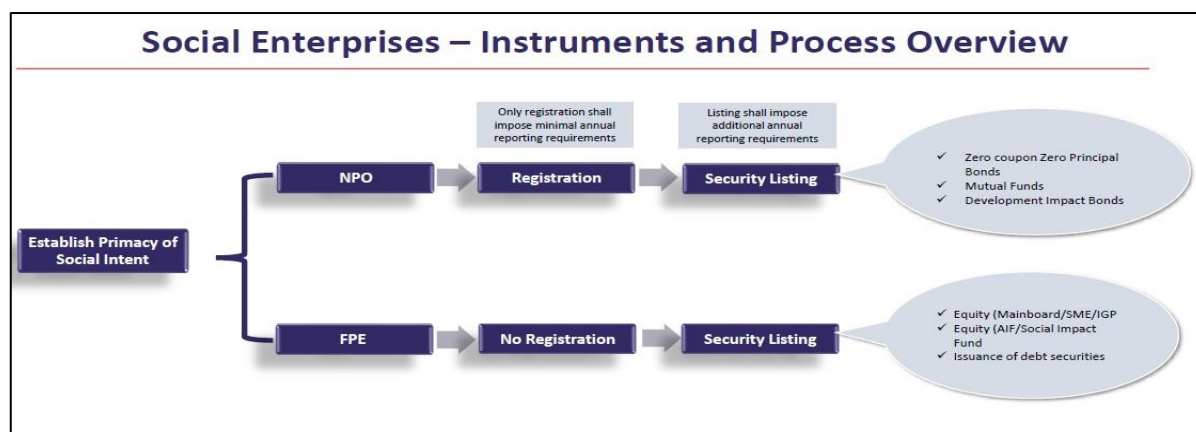
Keywords: - Social Stock Exchange (SSE), Not-for-Profit Organizations (NPO), Zero Coupon Zero Principal Instrument (ZCZP), Social Impact

Introduction:

The (SSE) Social Stock Exchange is an independent division of a prevalent stock exchange, such as the Bombay Stock Exchange or National Stock Exchange. Registration of non-profit organizations and the listing of their stocks through trading terminals around the country are both made possible by the inception of SSE. Only securities that generate funds for (FPE) 'for-profit social enterprises' or (NPO) 'non-profit' will be listed on the SSE. Furthermore, an NPO may opt to register itself on the SSE with the intention of obtaining recognition as a 'Social Enterprise' or issuing (ZCZP) "Zero Coupon Zero Principal Instruments" in order to raise capital.

The SSE section on the National Stock Exchange (NSE) offers a distinctive opportunity for social enterprises, NPOs, and FPEs involved in philanthropic activities to register and secure funding on a reputable exchange platform officially. An entity that meets the qualifying criteria outlined in the (SEBI) Securities and Exchange Board of India (ICDR) Issue of Capital and Disclosure Requirements Regulations or as periodically determined by SEBI, such as an NPO or an FPE, shall be granted permission to register or list its instruments.

Chart 1: Social Enterprises – Instruments and Process Overview



Source: - <https://www.nseindia.com/list-about-sse>

Not-for-profit organisations are obligated to complete the registration process with the Social Stock Exchange prior to initiating any fundraising activities via the platform. However, a not-for-profit organisation, irrespective of its registration status with the SSE, are free to pursue other legitimate means of funding.

Table 1: - Type of organisations that raised funds through SSE

Issuer NPO	Legal identification	Regd. Office	Registered on	Validity existing under
Swami Vivekananda Youth Movement	Society	Karnataka	1.12.1984	Karnataka Societies Registration Act
Transforming Rural India Foundation	Section 8 Company	Delhi	13.01.2016	Companies Act, 2013
SGBS Unnati Foundation	Section 8 Company	Karnataka	16.11.2011	Companies Act, 2013
Mukti	Public Charitable Trust	West Bengal.	09.03.2005	Indian Trusts Act, 1882
Ekalavya Foundation	Public Charitable Trust	Telangana	27.04.2006	Indian Trusts Act, 1882
Routes 2 Roots	Society	New Delhi	01.12.2004	Societies Registration Act, 1860
Foundation to Educate Girls Globally	Section 8 Company	Mumbai	05.12.2007	Companies Act, 2013

Source: - Authors compilation from secondary data

Historical achievements of issuer NPOs

Before registering with the social stock exchange, the NPOs had been successfully working and achieving social impact for a long.

The School Education Programme of SVYM helps rural government institutions develop their students' potential. By sprucing up their true identities and by cleansing towns for SVYM, numerous volunteers advance from low-level jobs to leading waste segregation initiatives in villages. The Viveka Rural Livelihood Centre of SVYM is dedicated to the empowerment of women and adolescents by providing them with vocational skills.

Transform Rural India operates 1,421 learning facilities staffed by 2,201 community volunteers. These centers are actively involved in the education of 26,644 children, with 17,883 parents actively participating in their child's learning journey.

The number of recipients has experienced significant and rapid growth with the expansion of the skill and employment initiative implemented by the SGBS Unnati Foundation. As of now, the programme has effectively provided training to over 45,000 young individuals and has successfully placed more than 35,000 of them in jobs.

The Mukti Foundation has awarded scholarships to over 2000 students for pursuing advanced education, established 2.5 million mangroves, and generated and offered employment prospects to the local community.

Ekalavya Foundation aims to enhance the economic independence of underprivileged groups. The foundation demonstrates exceptional proficiency in the farming industry, the school system, People's Collectives, Livelihoods and Health, and the Management of Natural Resources, beginning with Tribal people in Adilabad. The villagers were actively engaged in order to achieve sustainable results. The foundation is currently under operation in nine districts across Telangana and Andhra Pradesh. Every year, the foundation has a significant impact on around 8000 farmers and over 6000 students. The organisation has a workforce of over 80 workers and more than 1000 volunteers.

Since 2004, Routes 2 Roots has been actively involved in cultural exchange programs both within India and internationally. The organisation has made significant contributions to peacebuilding efforts by utilising cultural exchange as a valuable tool. The NGO's work has had a significant global influence, including a wide range of initiatives, from international cultural exchange programs to initiatives to bring people together in contentious regions.

Educate Girls initiative is presently functioning effectively in over 24,000 villages in the northern states of India. Educate Girls makes use of the funds that the government is currently allocating to education and collaborates with a large

group of volunteers from the community to discover, register, and retain girls who are not attending school. Additionally, they aim to enhance fundamental literacy and numeracy abilities for all children, regardless of gender.

To what extent is SSE necessary for non-profits?

Even though nonprofits were already getting donations, SSE enabled them to secure large sums of money to complete a specific project by a certain date. By serving as a reliable go-between, SSE ensures that non-profits are legitimate by linking generous donors with pre-screened organisations that have the necessary skills and are actively involved in meaningful social endeavors. By streamlining the process of discovering trustworthy NPOs, the SSE platform enhances the impact of donations by guaranteeing they are sent to the appropriate recipients. There is a distinction between direct donations and investing through SSE. Unlike direct donations, this method of supporting social causes is organized and comes with extra benefits, including legitimacy, transparency, and possible tax incentives.

(ZCZP) Zero Coupon Zero Principal Instrument

In general, NPOs acquire financial resources by soliciting contributions from individuals through philanthropic appeals or by composing grant submissions to grant-making foundations or corporations, with the aim of securing funding for targeted projects and programmes. Similarly, on the SSE, NPOs can issue "zero-coupon zero-principal instrument" like bonds. Individuals who are prepared to contribute grant assistance can purchase these securities or bonds as a form of social investment.

The structure of the ZCZP is like a bond, a debt security. When a business borrows money by issuing regular debt securities, it is required to make regular interest payments and after the bond has reached its maturity, the principal must be repaid. On the other hand, when an NPO raises money through these institutions, it is possible to do so using this new financial instrument; it is not a conventional loan but rather a contribution towards an initiative undertaken by the social enterprise. Thus, the borrower (NPO) is not required to make any interest payments (i.e., zero coupon) or repay the principal amount (i.e., zero principal).

Put simply, when a generous company or individual purchases a 'ZCZP' on the SSE, it effectively functions as a donation regarding a certain social initiative. The social investor, at the investor level, doesn't earn any monetary gain through principal sum or interest. It would be more of a "Social Investment" in the absence of expectation of a financial quid pro quo, more like an offering, philanthropy, or grant.

Table 2: - funds raised by non-profit organisations, public issue.

Issuer	Type / Nature of Instrument	Issue Size	Face Value/ Issue Price	Funds Raised
Swami Vivekananda Youth Movement	Zero Coupon Zero Principal	₹ 1.55 crore	₹ 1/- per ZCZP	1.55 crore
Transforming Rural India Foundation		₹ 2.00 crore	Rs. 10,000 per ZCZP	2 Crore
SGBS Unnati Foundation		₹ 2.00 crore	₹ 1/- per ZCZP	₹ 8.00 crore (approx.)
Mukti		₹ 1.70 crore	₹ 1/- per ZCZP	
Ekalavya Foundation		₹ 1.10 crore	₹ 1/- per ZCZP	
Routes 2 Roots		₹ 1.00 crore	₹ 1/- per ZCZP	
Foundation to Educate Girls Globally		₹ 1.30 crore	₹ 1/- per ZCZP	

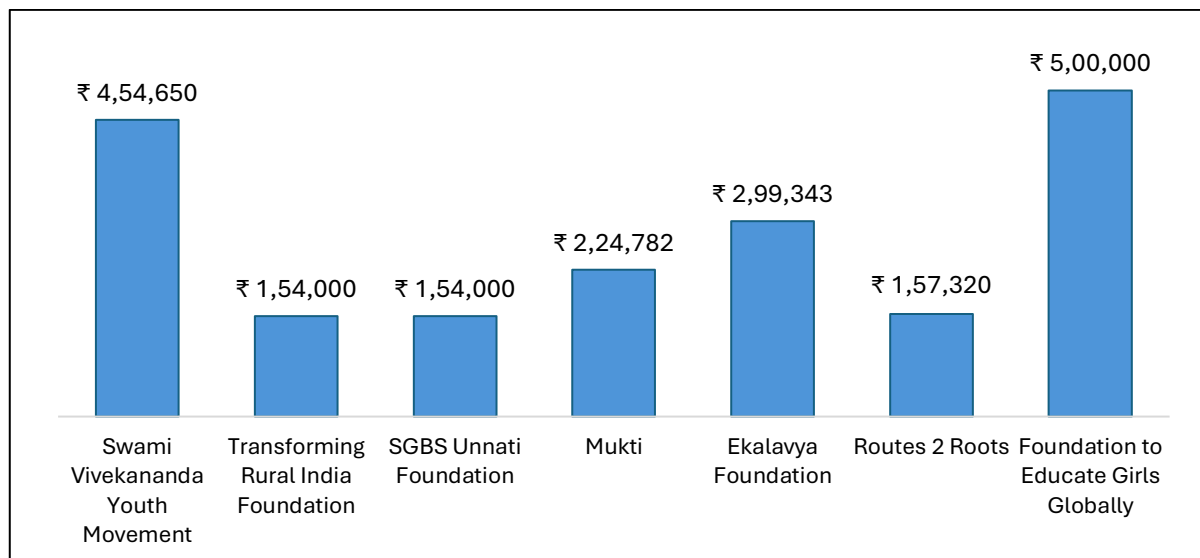
Source: - Authors compilation from secondary data

SVYM, an organisation with expertise in the fields of sustainability, socio-economic empowerment, health, environment and education, their project had successfully secured financial support of ₹1.55 crore that seeks to construct an institution aligned with the guidelines outlined in the National Education Policy 2020. The Transform Rural India initiative focuses on enhancing skills and promoting sustainable lives. It has successfully secured funding of 2 crore for a specific project. Mukti, Ekalavya Foundation, Routes 2 Roots, Foundation to Educate Girls Globally and SGBS Unnati Foundation are among the firms that are featured. Collectively, these five companies have generated approximately ₹8 crore thus far, and an additional five companies are preparing for a public offering.

Issue-related expenses.

Advising fees, fees payable to the Registrar to the Issue, printing and distribution costs, legal fees, advertising and listing fees, and any other expense directly associated with the Issue are among the expenses associated with raising funds through SSE.

Chart 2: - Issue Related Expenses



Source: - Authors compilation from secondary data

Excluding the Swami Vivekanand Youth Movement and Foundation to educate girls globally, the other five NPOs have spent an average of 200,000 approx. to raise funds through SSE.

An overview & tabular comparison of the Objective and Proposed Social Impact, together with Outcomes of Issuer NPOs from SSE

Issuer NPO	Swami Vivekananda Youth Movement
Project Duration	5 years (2024-29)
Objective	SVYM envisions creating a learning environment that is holistic, inclusive, and joyful for the children from the rural and tribal areas of H D Kote and neighbouring taluks through the Viveka Tribal Centre for Learning.
Proposed Social Impact	<ul style="list-style-type: none"> ✓ To reduce the disparity in enrolment, gender parity, and learning results between the tribal community and the average educational attainment at the state and national levels. ✓ Parents and members of the public actively engage in school events and make good contributions to kids' academic achievements. ✓ Students are required to finish Secondary school for a duration of 2 years and Senior Secondary education for a duration of 2 years, or an equivalent level of education. ✓ Students possess the capacity to make well-informed decisions on their career paths and actively engage in professions that directly and indirectly contribute to the advancement of the community.
Proposed outcomes	75 Students will be direct beneficiaries.

Source: - Authors compilation from secondary data

Issuer NPO	Transforming Rural India Foundation
Project Duration	24 Months
Objective	<ol style="list-style-type: none"> 1. Skilling Cost for Vocational & Entrepreneurial Activities 2. Capital Subsidy to Mini Businesses by Youth 3. Set-up cost for District Ecosystem and Youth Hubs

Proposed Social Impact	<ul style="list-style-type: none"> ✓ Set Up Phygital MERA Bharat Hubs. Reach, counsel, and enrol a specific number of youths in various programs. Create business and employment opportunities for youth. ✓ Increased number of youth-led businesses. Improved financial stability among young entrepreneurs. ✓ Creating MERA Bharat Hubs for building comprehensive place-based, hyperlocal economic opportunities model
Proposed outcomes	<ol style="list-style-type: none"> 1. 1000 youngsters in rural areas will initiate entrepreneurial ventures or pursue self-employment. 2. The firms will generate a gross yearly revenue of Rs. 50 crores. 3. The social impact on return at maturity is 25 times.

Source: - Authors compilation from secondary data

Issuer NPO	SGBS Unnati Foundation
Project Duration	12 Months
Objective	Training of up to 10,000 graduating youth from government colleges to assist in employment placement through our UNXT programme
Proposed Social Impact	The project is intended to help the youth get ready for employment, consider their strengths, identify the employment area that suits them, and help them believe in themselves. The programme is aimed at empowering the youth. It is designed to build confidence in them to express themselves better. It is also designed to foster self-esteem and self-belief. It also helps the youth with improving their employment interview skills.
Proposed outcomes	Training of 10,000 youths and making them ready for employment

Source: - Authors compilation from secondary data

Issuer NPO	Mukti
Project Duration	2 years from the date of allotment
Objective	<p>Swavalamban Accelerator in Sundarbans 2.0 (SWAS 2.0)</p> <ol style="list-style-type: none"> 1. To provide comprehensive skill-cum-enterprise development training support to beneficiaries for capacity building by setting up of 2 local Swavalamban Accelerator Centres (SAC), one delivery hub in Kolkata for 2000 SHG women, 2. To promote a cooperative business model for sustainable growth of group enterprises formed under the project. 3. To provide better marketing and financial knowledge and support for the trainees.
Proposed Social Impact	<ul style="list-style-type: none"> ✓ To empower and build the capacity of 2,000 SHG women by fostering their entrepreneurial skills and financial acumen. ✓ Setting up 50 sustainable group enterprises and promoting a cooperative business model to bolster local product market presence and ensure sustainable growth for these enterprises
Proposed outcomes	<p>Segment-wise no. of beneficiaries.</p> <ol style="list-style-type: none"> 1. 600 women in Food processing 2. 400 women in soft toys 3. 200 women in Ornamental Jewellery/ Art & Craft 4. 500 women in Shola Making 5. 200 women in Cattle fodder 6. 100 women in Fish Feed

Source: - Authors compilation from secondary data

Issuer NPO	Ekalavya Foundation
Project Duration	24 months
Objective	Babjipet Sustainable Livelihood Development Project in 10 villages of Komuram Bheem Asifabad district in Telangana state.
Proposed Social Impact	<ul style="list-style-type: none"> ✓ Alleviating rural poverty in the project villages by generating local income generating opportunities. ✓ Enhancing livelihood opportunities in agriculture-allied sectors. ✓ Improving the capacities of the stakeholders in the relevant sectors.

	✓ Empowering marginalised groups such as women, youth and indigenous communities
Proposed outcomes	providing a sustainable source of income to the 100 most economically disadvantaged tribal families residing in the project villages.

Source: - Authors compilation from secondary data

Issuer NPO	Routes 2 Roots
Project Duration	12 months
Objective	Implementation of the free digital teaching program on Art, Culture and Heritage in 100 schools in Himachal Pradesh and Uttarakhand by providing Smart Classroom Equipment, a Musical Instruments, Training to teachers, and maintenance.
Proposed Social Impact	It will allow students to develop the traits of empathy, tranquillity and peacefulness, and thus reduce their anxiety, stress, and trauma, allowing them to better focus on all the other academic subjects and thus fully benefit from their attendance at least in these one hundred government schools.
Proposed outcomes	<ol style="list-style-type: none"> 1. Appreciation of art and Culture. This will enable each student to understand and appreciate the art and culture of the country. 2. Inclusive growth. India's vast culture and art forms will generate inclusive living with an understanding of diverse cultures. EK BHARAT SHRESTHA BHARAT. 3. Art and culture will channel the energy of the beneficiaries towards holistic development with greater tolerance. 4. Students will be encouraged to take art as a part of their career. 5. In the present world of growing stress and mental health, art and culture are a source of relief therapy. 6. Art transcends boundaries and helps in connecting the world on a common platform. 7. Provide quality teaching to all.

Source: - Authors compilation from secondary data

Issuer NPO	Foundation to Educate Girls Globally
Project Duration	12 months
Objective	Improving enrolment, retention, and learning outcomes for out-of-school girls.
Proposed Social Impact	Improve Enrolment and Retention of marginalised out-of-school girls (aged 5-14 years), and Learning outcomes in foundational literacy and numeracy for children from the most rural, remote, and educationally backward blocks of Shivpuri, Risia and Nawabganj in Bahraich district of Uttar Pradesh.
Proposed outcomes	<ol style="list-style-type: none"> 1. Total Out-of-School Girls (OOSG) Enrolled: 4,255 2. % of OOSG Retained year on year: 90 3. Total Girls Trained in Life Skills: 962 4. Total Children with Improved Learning Outcomes: 3,700

Source: - Authors compilation from secondary data

Conclusion: -

A social stock exchange facilitates communication between benefactors and legitimate organisations engaged in meaningful social initiatives. To qualify for SSE, an organisation is required to provide proof of "social intent." Raising money through SSE also gave rise to the issue-related expenses that had to be borne by the NPOs. The SSE is an innovative initiative in India that offers a structured and transparent environment for impact investments. This initiative provides investors with a distinctive prospect to make contributions to significant social issues, supported by consistent impact evaluations and reporting. Considering the previous successful project executions of issuer NPOs, we can expect a fruitful and true impact through current projects. The NPOs have just raised the required amount for a project from SSE. Their actual utilisation of funds and attainment of the proposed social impact are yet to come into the picture. Hence, calculating the impact and outcome of SSE projects gives scope for further research.

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