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Reimagining India's Social Stock Exchange: From Philanthropy to Sustainable Impact Investment

India's Social Stock Exchange (SSE), announced in the Union Budget 2019–20 and operationalized during 2022–23, marks a significant initiative to bridge capital markets with social sector financing. The SSE framework envisages a wide range of financial instruments, including equity, debt, social impact funds, and development impact bonds. However, in practice, operations are currently confined to Zero

Coupon Zero Principal (ZCZP) instruments, which function more like structured donations without offering financial returns. This article undertakes a critical evaluation of the SSE framework, tracing its regulatory evolution, current adoption levels, and inherent structural limitations. It further explores the potential role of SSE in addressing persistent funding gaps particularly in the higher education sector, drawing parallels with global university bond markets. The discussion concludes by advocating for the introduction of return-linked impact instruments to broaden investor participation and strengthen the long-term sustainability of the SSE.

Background

The Social Stock Exchange (SSE) was conceptualized in 2019 and became operational as a segment of National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) between 2022-23. The primary objectives are to facilitate financing of social enterprises, to improve transparency and accountability, enable impact-based investing and standardize reporting of social impact. As Education and Healthcare are primary concerns to measure a country's development and achievements, the concept of SSE is built on the premise that private sector and the not-for-profit sector can play a significant role in national

development outcomes if more funding is made available to them. Let us first understand the regulatory framework of SSE.

Framework

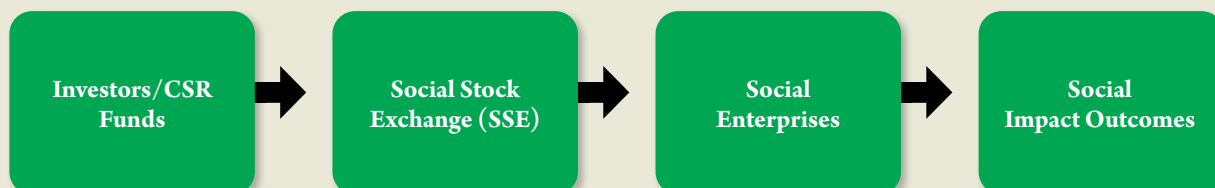
The framework is based on regulations as notified by the Securities and Exchange Board of India (SEBI) and SSE operational guidelines issued by NSE & BSE which are as follows.

Eligibility and Recognition as Social Enterprise

As per the SEBI framework, to participate in the SSE ecosystem, an entity must qualify as a "Social Enterprise", which can be either a Not-for-Profit Organization (NPO) or a For-Profit Social Enterprise (FPE).

Eligibility Conditions

- 1. Primacy of Social Intent:** The majority of the eligible social activities are aligned with SD goals. The enterprise must primarily engage in social activities such as:
 - Education
 - Healthcare
 - Poverty alleviation
 - Environmental sustainability
 - Livelihood generation
- 2. The 67% Rule as Critical Requirement:** As per SEBI's prescribed threshold under SSE regulations, the entity must



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demonstrate that at least 67% of its activities are aligned with social objectives, which are measured through Revenue, Expenditure, and Beneficiary base.

Registration Requirements for NPOs

As per regulations, NPOs are required to register separately on SSE before raising funds. The following are key conditions for registration:

- Must be registered as:
 - Charitable Trust
 - Society
 - Section 8 Company
- Must have:
 - Valid Income Tax registration (12A/12AB/10(23C))
 - Valid 80G certification
- Minimum 3 years of existence
- Minimum:
 - ₹50 lakh annual expenditure
 - ₹10 lakh funding in previous year
- No history of fraud, default, or regulatory violations

Additionally, SEBI has also relaxed norms such as registration validity, which has been extended to 3 years without fundraising, aimed at encouraging greater participation.

Fundraising Instruments and Listing Requirements

The SSE framework provides multiple instruments, but currently Zero Coupon Zero Principal (ZCZP) instruments are operationalized in the first phase. ZCZP instruments, as defined under the SSE framework, are unique securities issued by NPOs with no interest payment, no principal repayment and returns only in the form of social impact.

As per listing guidelines, key conditions for issuance of ZCZP are as follows:

- Minimum issue size: ₹50 lakh
- Minimum application size: ₹1,000
- Minimum subscription: 75% or 50% in certain cases
- Must be issued in dematerialized form
- Non-transferable during tenure

Disclosure and Compliance Framework

The SSE framework mandates detailed disclosure requirements such as:

- Audited Financial statements
- Governance structure
- Details of past social impact
- Utilization of funds
- Annual impact report - evaluated by a SEBI-recognized social impact assessor etc.

Governance and Institutional Mechanism

As envisaged under the SSE framework, the platform operates through a multi-layer governance structure such as:

- SEBI – as a Regulator
- Stock Exchanges (NSE/BSE) – for operational management

- SSE Governing Council – for policy oversight
- Social Impact Assessors – for independent evaluation

This institutional framework ensures that SSE maintains transparency, credibility and investor confidence. This regulatory framework attempts to integrate financial market discipline with social impact objectives. It also envisages helping social organizations diversify their financing mechanisms so that they can scale up their operations.

Issues and Challenges

India’s social sector faces a funding gap due to reliance on traditional fundraising through CSR, donations, and grants. SSE envisages the development of the social sector by enabling diverse funding channels on a common platform with uniform frameworks in reporting, measurement and standards. It allows social enterprises to raise funds while ensuring accountability and measurable impact outcomes. Theoretically, the SSE framework offers diverse instruments like equity, debt, social impact funds (through AIFs), development impact bonds and ZCZP bonds, but practically only one instrument, i.e. ZCZP, has been used so far. SSE currently operates closer to a regulated donation-based platform.

A significant policy development strengthening the linkage between

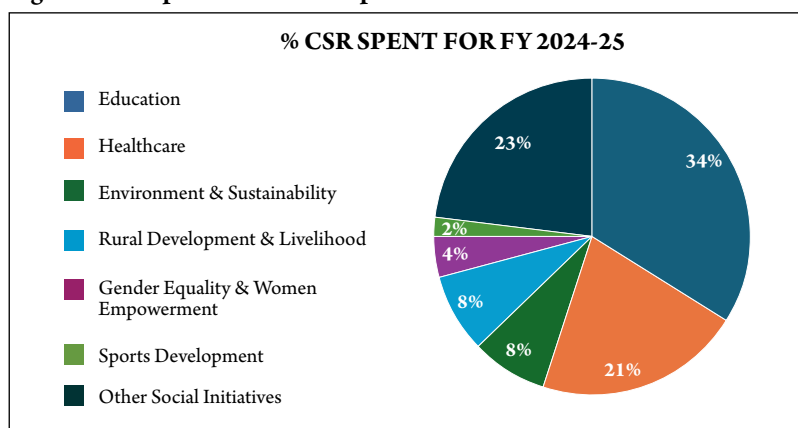


Corporate Social Responsibility (CSR) and the Social Stock Exchange (SSE) ecosystem was introduced by the Ministry of Corporate Affairs (MCA) through the Companies (CSR Policy) Amendment Rules, 2026, notified on 27 May 2026. As notified by MCA, these amendments formally recognize subscription to ZCZP instruments listed on SSE as an eligible CSR activity under Schedule VII of the Companies Act, 2013. The amendment allows companies to deploy up to 10% of their annual CSR obligation through such instruments. These ZCZP instruments must be issued by eligible NPOs registered on the SSE in accordance with SEBI regulations. Importantly, companies investing through this route are exempt from impact assessment requirements, thereby easing compliance while enhancing transparency through SSE-based disclosures.

This reform is particularly relevant given the scale of CSR funding in India. As per MCA data available on the national CSR portal, companies have spent ₹40,000+ crore in FY 2024–25, reflecting steady growth in corporate participation as per the CSR graph given in Figure 1.

If we look at the composition of CSR spending for FY 2024–25, as shown in Figure 2, the majority of CSR expenditures are spent on education and healthcare.

Figure 2: Composition of CSR expenditure



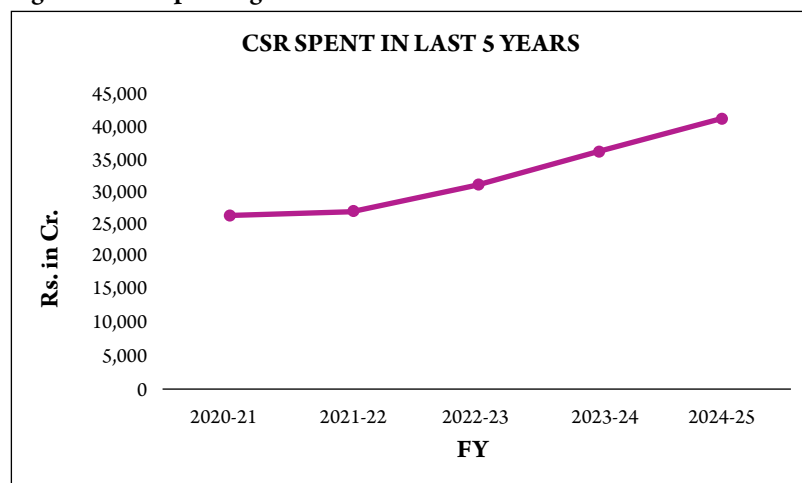
By formally integrating SSE into the CSR framework, the MCA has created a regulated, transparent channel for channelizing a portion of large CSR funds, potentially addressing funding gaps in critical sectors such as education and healthcare. This may also create the kind of demand the social stock exchange is lacking so far.

However, scalability is still a bottleneck due to various reasons. Over 90 NPOs are registered on SSE, but only a limited number have successfully listed and raised funds. As per recent data, approximately ₹40+ crore has been mobilized through SSE listing. India has more than 4 lakh registered NGOs, but SSE penetration is less than 0.02%. One of the major reasons could be the lack of financial incentives to impact-

oriented investors since ZCZP is positioned as a “donation”.

From the perspective of NPOs, registration on SSE is not always straightforward. Smaller organizations often face challenges in meeting eligibility thresholds relating to expenditure, governance documentation, and impact reporting. Further, continuous disclosure requirements, annual impact assessments, social audits, and compliance obligations may require specialized professional support, creating additional administrative and financial burdens. As a result, several grassroots organizations may find the SSE framework credible but resource-

Figure 1: CSR spending in India





intensive during the initial years of adoption.

From the perspective of retail and impact-oriented investors, the absence of financial returns remains a key deterrent. While investors appreciate transparency, governance standards, and measurable social outcomes, many prefer instruments that offer a combination of financial and social returns. Unlike traditional investments where risk is compensated through interest, dividends, or capital appreciation, ZCZP instruments provide only social impact. Consequently, SSE currently appeals primarily to philanthropists, CSR contributors, and impact-focused donors rather than a broader pool of retail investors.

SSE – Education Sector Perspectives

Education is the core pillar of “human capital development” under Viksit Bharat, and India aims to become a global knowledge hub by 2047.

The Union Budget 2025–26 allocated approximately ₹50,000+ crore for higher education and ₹78,000+ crore for school education, while the Ministry of Education received a total allocation of approximately ₹1.28 lakh crore. Despite these allocations, public expenditure on education remains around 4% of GDP against the National Education Policy (NEP) target of 6% of GDP. Limited research

funding, underfunded infrastructural expansion plans and lower GER are a few other challenges that the Indian Higher Education system is currently facing. Just like developed countries, India also has research ambitions in semiconductors, quantum computing, aerospace technology, artificial intelligence, biotechnology, green energy, etc., which require long-term and persistent funding support. Government funding alone cannot achieve 2047 targets.

India has more than 1000 Universities. Several Indian Universities are compared with the best Universities in the world. Universities in India are dependent on traditional funding sources such as government grants, philanthropic donations/CSR and academic fees.

In the last two decades, India’s higher education ecosystem has witnessed a significant transformation with the rapid rise of private universities and institutions playing a critical role in expanding access to education. Private universities form a large share of institutions but a relatively smaller share of enrolment and academic influence. One of the key reasons for this imbalance lies in funding asymmetry between public and private institutions. Public institutions receive support in terms of government grants, central research funding schemes and funding for

infrastructure expansion and research labs, etc., whereas private universities and institutions have limited access to large-scale research grants and largely depend on academic fees. Having worked with the higher education sector, I have observed that even institutions with strong academic aspirations often defer research and infrastructure investments due to funding limitations and competing operational priorities.

Many leading Indian private universities have set ambitious goals such as achieving global rankings, becoming research-intensive institutions and building international campuses and collaborations. However, these aspirations require multi-decade investment cycles, large upfront capital and sustained funding sources.

Challenges faced in achieving these aspirations include:

- High capital requirement for advanced laboratories, research centres and technology infrastructure.
- Limited research funding since the majority of government research grants are available to public institutions.
- Difficulty in attracting global research talent due to funding limitations.

Education Funding Gap

Parameter	Public Universities	Private Universities
Funding Source	Government Grants	Fees / Donations / CSR
Research Funding	High	Limited
Infrastructure	Strong	Developing
Financial Stability	Secure	Dependent

These challenges show that current reliance on fees and donations is insufficient to support such ambitions. Therefore, there is a need to revamp the education financing model, and SSE can play a pivotal role in this. However, SSE is still at a relatively nascent stage and will mature over the coming years. The existing instrument may not sufficiently attract retail investors, as instruments like ZCZP do not give any return.

If we talk about countries like the USA, UK, Singapore, etc., education sectors like universities can raise funds by issuing bonds (secured/unsecured) which

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carry a 1% to 6% coupon rate, with maturity tenures of 25 years to 100 years. The purposes include financing campus expansion, strengthening infrastructure, upgrading academic facilities, and enabling intensive research ecosystems. Alumni and high-net-worth families are also allowed to invest in the bonds issued by universities, apart from pension funds, insurance companies, banks, mutual funds, etc. Lower risk, stable income, and tax benefits could be attractions for investors. Long-tenure maturity and lower coupon rates could be the reasons why universities explore bond issuances. E.g. Singapore Management University successfully raised \$100 million through its 2nd series of bond issuance in May 2026 with a 7-year tenure carrying a 2.02% coupon, following its inaugural sustainability bond issuance in July 2025. The proceeds are meant to



finance or refinance projects of green buildings, renewable energy, access to essential services, pollution prevention and circular economy, and water and wastewater management. Another example could be Harvard University, which successfully accessed capital markets through bond issuance in the years 2024 and 2025 to finance academic infrastructure, research facilities, technology investments and long-term campus development.

India currently does not have a structured education bond market or university bond issuance framework. Existing financing mechanisms are limited to loans, grants, and CSR funding. Unlike developed economies where universities access long-term capital through bond markets, India's higher education financing remains largely dependent on non-market sources, highlighting a critical gap in financial innovation.

Transition from Philanthropy to Impact Investment: Bridging the Gap

Generally, donations or CSR funds are made for tax benefit purposes or as a mandatory requirement. Though recent developments in CSR regulations may enhance the scalability of SSE, the question remains of catering to large pools of retail and impact-oriented investors.

For India to achieve its Vision 2047 objectives, there is a need to mobilize a financial instrument which serves two-fold benefits – addressing the funding gap in social sectors and incentivizing the impact-oriented investors. Behavioural finance literature suggests that investors generally prefer financial returns alongside measurable social outcomes. Investors want financial and social returns, which are witnessed in the ESG investing boom. This has proved: “Impact with returns”.

India's Social Stock Exchange currently operates at the intersection of philanthropy and capital markets, yet it has not fully transitioned into a true impact investment platform. The existing ZCZP framework strengthens transparency and accountability in donations but lacks the financial incentives necessary to attract a broader base of investors. This creates a structural gap between philanthropic capital, which is limited in scale and largely compliance-driven, and impact investment capital, which seeks measurable social outcomes along with financial returns.

Globally, the evolution of social finance has demonstrated that sustainable capital flows are achieved when investors are offered a blended value proposition, such as combining modest returns with measurable impact. Instruments such as social





impact bonds, green bonds, and university bonds have successfully mobilized private capital by aligning financial and social objectives. In contrast, the SSE ecosystem in India remains predominantly donation-oriented, limiting its ability to tap into retail investors, high-net-worth individuals, and institutional investors.

Bridging this gap requires reimagining SSE instruments beyond pure donation structures. Introducing hybrid financial products, such as low-yield impact bonds or outcome-linked securities, can create a viable pathway for transforming philanthropic intent into investment capital. Such instruments would not only enhance investor participation but also enable long-term scalable funding for sectors like education and healthcare.

Way forward and the role of Chartered Accountants

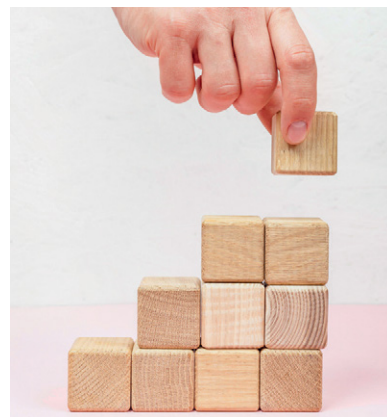
Development Impact Bonds (DIB) are one of the structured financial products under the SSE framework. Donors are termed as “outcome funders”, and a grant is made available to the NPO after it delivers on pre-agreed social performance indicators at pre-agreed cost/rates. Such funders might be called as “risk funders”, which enables financing of social operations on a pre-payment basis but also undertakes the risk of non-delivery of social performance indicators by the

NPO. To compensate for this risk, the funder earns a small return if the social performance indicators are delivered.

Although DIBs are recognized within India's Social Stock Exchange framework, they are not raised through stock exchanges; they operate as off-market, outcome-based contractual financing structures, despite being conceptually included within the SSE framework. This reinforces the need for instruments that combine measurable impact with investor returns. Low coupon rates and tax benefits with social impact reporting may enable more retail participation, private capital mobilization, and long-term sustainability of this platform.

The future of India's higher education system depends on unlocking capital for private universities also. If the inclusion of “target segment” is expanded, private education institutions might also be encouraged to onboard on this platform, thus achieving aspirations of Indian Private Institutions becoming World-Class Institutions.

Thus, the transition from philanthropy to sustainable impact investment is not merely desirable but essential for SSE to evolve into a sustainable and inclusive financing platform capable of supporting India's development goals for 2047. Chartered Accountants can play a critical role in structuring, evaluating, and certifying social finance instruments under SSE.



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