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Safe in India Foundation

Safe in India Foundation ("SII") Survey on Social Stock Exchange ("SSE"): Survey Summary

On July 15, SII sent its feedback on SSE to SEBI. On August 4, Safe In India published an opinion piece on the same issue in IDRonline. In parallel, a survey was carried out by SII to determine public opinion towards the proposed SSE.

1. Profile of the Respondents:

This analysis is for the first 100 participants with more responses still coming in (there are 111 responses currently). Individual respondents represented donors, NGOs, FPSEs (For Profit Social Enterprises) and investees including Gurgaon First, Mensa, Arushi Charitable Trust and others. The vast majority of respondents were between the ages of 45 and 64 (84%) with 46% of respondents having some experience with NGOs and 43% having no direct experience with either NGOs or FPSEs but are donors/potental donors. Notably, only 2% had either invested in or worked with FPSEs.

2. Findings:

Respondents were shown a series of statements regarding the proposed SSE and were asked their opinions on a series of statements.

62% agreed completely with the statement, "**NGOs and FPSEs should be on two different platforms in SSE, rather than mixing the two.**" Another 18% agreed somewhat with this statement, bringing the **total agreeing to 80%**! Only 6% disagreed, while 14% were indifferent.

78% agreed completely with the statement, "**If FPSEs get tax incentives, they should also be regulated to at least some degree, so that they do not just dress up traditional businesses as FPSEs without proper checks and balances for protecting the donors/investors**." Another 13% also agreed somewhat, bringing the **total agreeing to 91%!** An insignificant 1% disagreed, while 8% were indifferent.

82% agreed completely with the statement, "**As there is no clear definition of FPSEs, there should be at least some standard ethics 'tests', before they are listed to avoid imposter FPSEs.**" Another 9% agreed somewhat, bringing the **total agreeing to 91%!** An insignificant 1% disagreed, while 8% were indifferent.

55% agreed completely with the statement, "**I need to understand typical transaction costs for raising money on SSE and therefore a minimum deal size**." A further 25% agreed somewhat, bringing the **total agreeing to 80%!** Only 2% disagreed, while 18% were indifferent.

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69% agreed completely with the statement, "**The proposed Rs100 crore fund should demarcate funds separately for NGOs and FPSEs so they both get fair support.**" Another 17% agreed somewhat, bringing the **total agreeing to 86%!** Only 5% disagreed, while 9% were indifferent.

77% agreed completely with the statement, "**SSE should also have its own social-impact measures to report its progress against its social objectives, like those that SSE requires from NGOs and FPSEs.**" 14% agreed somewhat, bringing the **total agreeing to 91%!** Only 4% disagreed, while 5% were indifferent.

81% agreed completely with the statement, "**A key design principle of SSE should be that it should be ethical, with higher governance and accountability than conventional stock exchange**." A further 10% agreed somewhat with the statement, bringing the **total agreeing to 91%!** Only 4% disagreed, while 5% were indifferent.

45% agreed completely with the statement, "**SSE should itself be run like an NGO or FPSE to be consistent with their respective values**." Another 29% agreed somewhat, bringing the **total agreeing to 74%!** Only 12% disagreed, while 14% were indifferent.

3. <u>Comments on the Separation of Exchanges for FPSEs and NGOs:</u>

Respondents were asked to provide any comment on whether the exchanges for FPSEs and NGOs should be separate. The majority of respondents were in favour of separation:

⇒ Chetan, a donor to NGOs, proposed a separation as , "*The two are meant to serve slightly different purposes from a social standpoint, and also deploy different means to achieve the ends*."

⇒ Similarly, Sanjay Bhasin of the Arushi Charitable Trust commented, "*Both NGOs and FPSEs will have different metrics for defining their success criteria. Investors in NGOs are like donors while investors in FPSEs expect some non-zero returns*".

⇒ Rakesh Narayana, a donor to NGOs, pointed out, "*there is no clear definition of FPSE – Pharmacy companies can claim to be FPSEs. If we push the margin, cola companies will claim we are solving the social problem of thirst!!*".

⇒ Dinesh Agarwal, a donor to NGOs, commented, "*How can the two concepts of making profit and not making profit be dealt with in the same set of rules? The profit is for survival, growth and returns irrespective of whether for a social cause or not. The corporate hospitals, colleges, pharma, water purification, agriculture, food processing etc are in a way social enterprise for the benefit of mankind*."

⇒ Vidushi, a donor to NGOs, felt that, "*There needs to be a separation between the non-profit and for-profit enterprise (FPE) exchanges. It will be particularly useful for clear demarcation of funds between the NGOs and For-Profit enterprises. Such a clear distinction in exchanges will lead to a proper definition of For-Profit entities and close the way for misuse by any potential imposter FPEs. A clear demarcation of FPEs through certain minimum reporting* *standards and investee tests, will further discourage any imposter FPEs and clear distinction of funding and tax incentives to the NGOs and FPE will provide the higher governance and ethical standards to the SSE and its social impact*."

4. Additional Comments:

Respondents were also asked for any other comments on the proposed SSE:

⇒ Sanjeev Kumar, who has raised money for NGOs and FPSEs pointed out, "*This concept hasn't worked anywhere in the world. More worried for India as the stock market is relatively very small. Having more than one exchange creates huge issues. Better way might be to create a separate category of ESG and have these getting traded in the current exchange. The volumes and economies of scale is just not there*."

⇒ An anonymous staff member of a CAPED (Cancer Awareness, Prevention and Early Detection), an NGO, commented, "*That the NGO sector needs to be a little more organised so they can reap the most from the SSE concept. As it stands, the smaller, grassroot NGOs will not benefit. And they are the ones who need it the most."*

⇒ Meena Dave of the India Cares Foundation, an NGO, commented, "*For SSE to succeed, a lot of ground work will need to be done for the benefit to get to more NGOs and the society too should be educated on the value of SSE to succeed*."

⇒ Kavi Jain, who has raised money for an NGO, felt that "*Ideally the FPSE exchange should have a fixed percentage part of its funding allocated for the NON PROFIT exchange. The two should have totally different operating mechanisms*."

⇒ An anonymous respondent, who has raised money for NGOs and FPSEs, commented, "*This is a key initiative and needs to be well deliberated, discourse facilitated for wider stakeholder views before being brought about/ implemented*."

⇒ Ramindra Ramish Patel pointed out that, "NGOs in India are classified into three categories i.e. big, medium and small. Medium and small NGOs have a lot of limitations in terms of financial, human resource and technical know-how. Moreover, these small and medium size NGOs are very effective and efficient in service delivery and bringing change at grassroots level. However, due to lack of funding/finance, they are unable to sustain and work efficiently. Thus, the special provisions and packages for the medium and small size NGOs must be plan and allocated within SSE."

Annexure with Results of the Survey:

Statement	Agree Completely	Agree Somewhat	Indifferent	Disagree Somewhat	Disagree Completely
NGOs and FPSEs should be on two different platforms in SSE, rather than mixing the two.	**62%**	18%	14%	3%	3%
SSE should itself be run like an NGO or FPSE to be consistent with their respective values.	**45%**	29%	14%	5%	7%
If FPSEs get tax incentives, they should also be regulated to at least some degree, so that they do not just dress up traditional businesses as FPSEs without proper checks and balances for protecting the donors/investors.	**78%**	13%	8%	0%	1%
As there is no clear definition of FPSEs, there should be at least some standard ethics 'tests', before they are listed to avoid imposter FPSEs.	**81.82%**	9.09%	8.08%	0%	1.01%
I need to understand typical transaction costs for raising money on SSE and a minimum deal size.	**54.55%**	25.25%	18.18%	1.01%	1.01%
The proposed Rs100 crore fund should demarcate funds separately for NGOs and FPSEs so they both get fair support.	**69%**	17%	9%	2%	3%
SSE should also have its own social-impact measures to report its progress against its social objectives, like those that SSE requires from NGOs and FPSEs.	**77%**	14%	5%	2%	2%
A key design principle of SSE should be that it should be ethical, with higher governance and accountability than conventional stock exchange.	**81%**	10%	5%	3%	1%
The SSE working group should have equal participation of NGOs and FPSEs to be fair to both.	**59%**	19%	12%	7%	3%