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SOCIAL STOCK EXCHANGES: THE CONNECTING LINK BETWEEN SOCIAL AUDIT AND SUSTAINABLE DEVELOPMENT OF SOCIAL ENTERPRISES

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Abstract

This study aims to explore the role and significance of the Social Stock Exchange as an emerging structure within the modern market economy, and to assess its potential benefits in the context of social auditing for social enterprises.

The first and foremost challenge for any type of organization – whether a startup or a well-established entity – is the need for substantial capital resources. One possible mechanism within a market economy is the capital market, and more specifically, the stock exchange for securities.

Social stock exchanges are still relatively unknown in traditional financial circles. However, with the growing commitment to sustainable development and the increasing importance of social responsibility, these exchanges are becoming more relevant and are attracting interest in certain sectors.

Keywords: social enterprise, social responsibility, social audit, stock exchange, non-bank investment platforms, social stock exchange, social innovation, sustainable finance, impact investing

JEL: L31, M14, M42, G10, G23, O35

Introduction

In the context of the modern market economy, one of the primary challenges faced by any organization, whether newly established or already well-developed is securing the necessary capital resources for growth and sustainability. This challenge is even more significant for social enterprises and non-profit organizations, which often face difficulties in accessing traditional bank financing. In this context, the demand for alternative funding sources becomes increasingly apparent. One potential mechanism within the market economy is the capital market, and more specifically, the securities stock exchange.

The main objective of the present study is to examine the 'Social Stock Exchange' as an innovative instrument for the sustainable financing of social enter-

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prises. Particular attention is given to the potential of this mechanism not only to facilitate access to capital but also to strengthen social accountability through the integration of mandatory social auditing within social enterprises. The study explores both the conceptual foundations of the Social Stock Exchange and practical experiences from its implementation in countries such as India and Brazil.

To accomplish this objective, several research tasks are undertaken: an analysis of the core characteristics of the Social Stock Exchange; an examination of the experiences of countries that have established such exchanges; an evaluation of the Social Stock Exchange's potential to reinforce the usefulness of applying social audits in social enterprises; and a presentation of key findings from the research.

The object of this study is the Social Stock Exchange as a mechanism for sustainable financing and for fostering interest in social auditing within social enterprises.

Its subject is the relationship between the Social Stock Exchange and the implementation of mandatory social auditing in social enterprises – more specifically, the potential of Social Stock Exchanges to enhance transparency and accountability in these organizations.

The central thesis of this study is that the Social Stock Exchange represents an innovative instrument that can facilitate access to capital for social enterprises while simultaneously contributing to higher levels of accountability and transparency through social auditing.

The primary sources of information used in the research are findings from publicly available, specialized studies conducted by both Bulgarian and international authors.

Analysis of the Essential Characteristics of the Social Stock Exchange (SSE)

Social stock exchanges still have limited popularity in traditional financial circles and remain largely unfamiliar to the general public. However, with the growing global commitment to sustainable development and the rising importance of social responsibility, their relevance and necessity are steadily increasing.

In essence, Social Stock Exchanges are specialized trading platforms that enable social enterprises and non-profit organizations to raise capital by attracting ethical investors. These exchanges can exist as independent stock markets or as dedicated segments within existing ones, providing a regulated space for listing and investment attraction. Their primary objective is to facilitate investment in social, environmental, and ethical projects.

"A social stock exchange is an electronic fund-raising platform that allows alternative fund raising structures to social enterprises (both not-for-profit and for-profit)" (KPMG, 2022a).

The official definition provided by the Committee on Corporate Law of the Institute of Cost Accountants of India states: "Social Stock Exchange (SSE) is an electronic fundraising platform that allows investors to buy shares in a social enterprise that has been vetted by the recognized stock exchange". They further clarify: "Social enterprises include a revenue-generating business whose primary objective is to achieve a social objective. The social enterprises will have to engage themselves in an eligible activity which includes eradicating hunger, poverty, malnutrition and inequality; promoting healthcare, supporting education, employability and livelihoods; gender equality empowerment of women, communities; and supporting incubators of social enterprise" (Guide on Social Stock Exchange, 2023).

Table 1 presents the similarities and differences between a traditional stock exchange and a social stock exchange.

Table 1: Main characteristics of a traditional stock exchange and a social stock exchange

Criterion	Traditional Stock Exchange	Social Stock Exchange
1	2	3
Primary Objective	Facilitation of securities trading	Providing access to capital for social enterprises and non-profit organizations
Focus	Primarily focused on financial profit and growth in shareholder value	Focused on social, environmental, and sustainable development
Investors	Typically includes individual and institutional investors seeking profit from capital markets and dividends	Includes a variety of investors, such as institutional investors, impact funds, philanthropists, and individual investors interested in socially responsible investments. They care not only about financial returns but also about social and environmental impact
Regulations	Traditional stock exchanges are typically heavily regulated by national and international regulatory authorities, such as the U.S. Securities and Exchange Commission	SSEs are also regulated, but in addition to standard financial requirements, they may include extra standards for social responsibility and sustainability

Continued

1	2	3
Transparency and Liquidity	Trading is public and liquidity is high, allowing investors to easily buy and sell securities	Companies listed on SSEs are generally required to provide evidence of their social or environmental impact
Electronic Trading	Most trading on stock exchanges is conducted electronically, making the process faster, more efficient, and accessible to investors globally	The same applies here
Pricing	Security prices are determined by market supply and demand. Stock exchanges provide information on prices and trading volumes, which helps investors make informed decisions	Social exchanges often use global frameworks and standards, such as the Global Impact Investing Rating System (GIIRS) or B Corp certification, to evaluate and classify companies based on their social responsibility, effectiveness, and achievement of sustainable goals

Source: Author's model

The comparative analysis between traditional stock exchanges and Social Stock Exchanges (SSEs) reveals essential differences in structure, function, and purpose. Traditional exchanges are fundamentally oriented toward maximizing shareholder value, focusing primarily on financial return and short-term growth. In contrast, SSEs emphasize long-term social and environmental outcomes while still ensuring financial sustainability (KPMG, 2022b; Guide on Social Stock Exchange, 2023).

Investor profiles differ significantly between the two models. Traditional exchanges attract individuals and institutions seeking returns through dividends and capital gains. SSEs, however, appeal to impact investors, philanthropists, and socially conscious individuals who prioritize investments that generate measurable social change. These investors consider both financial and non-financial outcomes when evaluating success (Guide on Social Stock Exchange, 2023).

Furthermore, while both types of exchanges are subject to regulatory oversight, SSEs incorporate additional requirements for transparency and accountability. Social enterprises listed on SSEs must report on their social or environmental impact, often using third-party frameworks such as the Global Impact Investing Rating System (GIIRS) or B Corp certification. These tools enhance the credibility and comparability of enterprises by aligning investment decisions with sustainable development goals (GIIN, 2023).

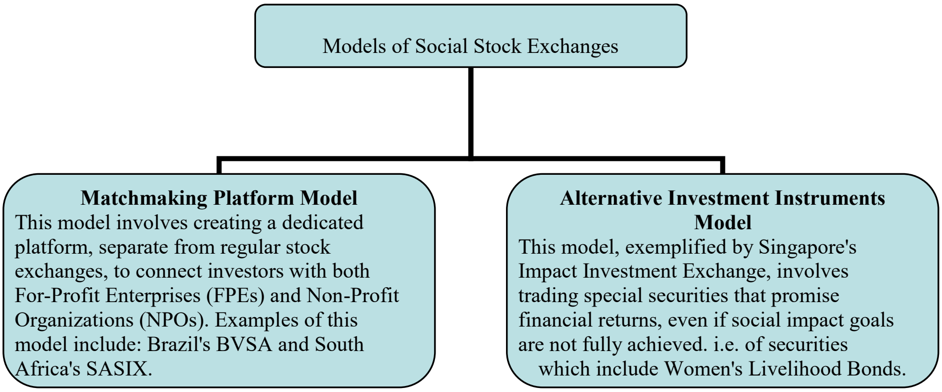
In essence, SSEs represent a structural shift in capital markets. They serve as a bridge between financial instruments and societal impact, enabling capital to flow toward initiatives that address systemic global challenges. As global focus on ESG (environmental, social, and governance) standards continues to grow, SSEs are likely to become a vital component of the evolving financial landscape.

The Social Stock Exchange also utilizes a unique security instrument known as Zero Coupon, Zero Principal (ZCZP), which is similar to a donation and does not promise coupon payments or the repayment of the principal amount. The Government of India has provided tax relief under Section 80G of the Income Tax Act of 1961 for donations made via ZCZP on the SSE (The Institute of Cost Accountants of India, 2023).

On December 13, 2023, the SGBS Unnati Foundation, a non-profit organization, made history by becoming the first organization listed on the Social Stock Exchange, part of the National Stock Exchange of India (NSE), through the issuance of "zero-coupon, zero-principal" bonds valued at 2 crore rupees (20 million rupees). These bonds differ from conventional ones in that they contribute to a social cause. They are not for investment purposes but are intended for charitable giving, as they do not generate financial returns for the investor, unlike traditional bonds. No tax is levied on the purchase of these bonds (The Economic Times, 2023).

At first glance, there may seem to be no difference between "zero-coupon, zero-principal" bonds and a standard donation, but from a regulatory perspective they are totally different. Registered entities on the Social Stock Exchange are required to adhere to principles of transparency and accountability and are thus obliged to regularly present reports on their social impact and progress towards the goals set. Shareholders have the right to know how the funds provided are being used. Moreover, the use of less than 75% of the allocated funds from the set minimum is considered a red flag for shareholders and other stakeholders (Krishna, 2024).

There are two main models of Social Stock Exchanges that have been implemented globally, shown in figure 1.



Source: ICSI-Institute of Social Auditors (2024).

Figure 1: Models of Social Stock Exchanges

The existence of two distinct models of Social Stock Exchanges reflects the diversity of approaches to aligning capital with social impact. The Matching Platform Model functions primarily as a bridge between impact-oriented investors and mission-driven organizations, without the complexities of traditional securities trading. It proves especially effective in emerging markets where regulatory infrastructure for social finance is still developing.

In contrast, the Alternative Investment Instruments Model integrates social impact into conventional financial markets by issuing structured securities that promise returns regardless of the full achievement of social goals. This model appeals to investors who seek both social and financial outcomes, providing a more familiar investment mechanism while still contributing to development objectives.

Both models play a critical role in expanding access to capital for social initiatives. However, the choice between them often depends on the maturity of the financial system, investor appetite for risk and return, and the regulatory framework in place.

It is difficult to produce a statistical sample of the number of publicly offered social enterprises and non-profit organizations listed on Social Stock Exchanges, since, as mentioned earlier in this study, some Social Stock Exchanges are not standalone entities but operate as segments within traditional stock exchanges.

Despite the undeniable usefulness of Social Stock Exchanges, they still face a number of challenges and limitations. The main ones include the following:

1. Difficulties in Measuring Social Impact

The absence of a unified and universally accepted framework for assessing social and environmental effects makes it difficult to establish comparable metrics. When social impact cannot be measured in a reliable and transparent manner, it undermines investor confidence and reduces the overall effectiveness of the platform.

2. Regulatory and Operational Challenges
3. On the one hand, there are uncertainties regarding trading regulations, the transfer of tax benefits, and the technical mechanisms of SSE operations. On the other hand, strict requirements for reporting, auditing, and compliance with specific criteria may impose excessive burdens, particularly on smaller social enterprises (5paisa Capital Ltd., 2025).
4. Inequality and Risk of Excluding Smaller Organizations
5. Requirements related to capacity, resources, and organizational experience may disadvantage smaller social enterprises. As a result, there is a risk that the platform could be dominated by already established actors rather than serving as an equitable access point to capital for all participants.
6. Balancing Social and Financial Objectives
7. Social enterprises often face tensions between their mission to achieve social impact and the need to ensure financial sustainability. At the same time, investors may not receive traditional financial returns, which can make them more hesitant to engage (Fi-compass, 2017).
8. Limited Liquidity and Market Activity

In many cases, SSE platforms remain relatively underdeveloped and operate with low trading volumes. Insufficient liquidity decreases the attractiveness of these instruments and limits their potential to function as effective mechanisms for social finance (iLearn CANA, 2020).

Analysis of the Activities of Some Well-Known Social Stock Exchanges

1. Social Stock Exchange Brazil

The Brazilian Stock Exchange in São Paulo (BOVESPA) was the first stock exchange in the world to join the United Nations Global Compact (Boguslavskaya, Demushkina, 2020). It has developed innovative approaches to mobilize financial markets to help address urgent social challenges, including the eradication of poverty in Brazil.

In June 2003, BOVESPA launched the Brazilian Social Stock Exchange (BVSA), a pioneering social responsibility program that highlights the evolving role of business in society. Its aim is to create a platform for trading investments linked to social and environmental causes. The exchange provides investment opportunities in social projects managed by non-profit organizations aiming to achieve a meaningful social and environmental impact.

The Brazilian Social Stock Exchange differs from traditional stock exchanges by allowing investors to support projects aimed at socially beneficial initiatives, rather than profit in the conventional sense. Organizations and their projects listed on the platform are required to provide evidence of the effectiveness and sustainability of their campaigns. In addition, support for social projects has been encouraged through tax incentives offered by the government for donations made through the platform.

A distinctive feature of the BVSA is that investors purchase "social equity units" in social enterprises and do not receive financial returns. The effectiveness of social projects is measured by their social impact or social return. Only one in every ten projects passes the listing process. This is because all projects are carefully selected through specialized evaluation systems and procedures. In addition, BOVESPA experts assess the business plans of the social enterprises and conduct on-site inspections of the organizations. From 2003 to 2012, the BVSA managed to attract 12 million BRE[2] for 119 social projects (Boguslavskaya, Demushkina, 2019). Despite its success, the concept of a separate, specialized social stock exchange in Brazil did not develop as initially envisioned. Due to a lack of sufficient interest and participation, as well as regulatory uncertainty, the social stock exchange ceased operations in 2017. Furthermore, despite efforts to promote socially responsible investing, the Brazilian financial market has remained primarily focused on traditional investments and the trading of stocks and bonds, which has resulted in limited support for the social innovations and initiatives offered by the Brazilian Social Stock Exchange.

Nevertheless, it is important to note that the Sustainable Stock Exchanges (SSE) initiative was established as part of the Brazilian Stock Exchange. Its goal is to provide a global platform for exploring how exchanges working in collaboration with investors, companies (issuers), regulators, policymakers, and international organizations (World Investment Forum, 2023), can improve their performance on ESG (Environmental, Social, and Governance, and promote sustainable investment, including financing the United Nations Sustainable Development Goals (Sustainable Stock Exchange Initiative, 2025). Mechanisms have been developed within the Brazilian Stock Exchange to enable social enterprises and non-profit organizations to attract investment.

The Brazilian Stock Exchange (Brazilian Stock Exchange, 2025) has specific initiatives and instruments that allow socially responsible enterprises and non-profit organizations to receive funding. Examples include:

[2] BREs – Brazilian Social Rupees, a special currency or unit used in the context of social investments and BVSA projects. This currency is not the regular Brazilian Real (BRL) but is specific to the social stock exchange and is used to measure social investments that are not based on financial profits but on social impact.

- Social Impact Bonds – financial instruments that enable investors to fund social projects, with returns provided if these projects achieve measurable success in social or environmental criteria;
- Sustainable Development Funds;
- Sustainable Investment Initiatives – special indices and funds have been created that focus on socially responsible investments, such as the ISE (Corporate Sustainability Index) of B3, which includes companies that demonstrate a strong commitment to sustainable development and social issues.

A similar experience with social stock exchanges can be observed in the following countries: South Africa (SASIX, launched in 2006); Portugal (Portuguese Social Stock Exchange, launched in 2009); and the United Kingdom (UK SSE, launched in 2013). The lack of regulatory clarity and insufficient public awareness have led to a lack of interest and participation in this type of market. As a result, these exchanges either discontinued operations or were acquired by traditional stock exchanges and continue to function only to a limited extent. The persistent issue is that most investors prioritize financial gain and do not feel compelled to make social investments. State-driven incentives might help to increase interest in this area.

2. The Experience of Canada, Singapore, and Jamaica

a) Social Venture Connexion, Canada, launched in 2013

The idea for SVX (Social Venture Connexion, 2025) was born in 2007 with a vision of a world where all investments have a positive impact. Initially conceived as a social stock market, SVX was meant to be a place where entrepreneurs and organizations addressing the most urgent challenges in Canada would connect with investors seeking positive social impact alongside financial returns. In 2013, SVX launched as an online database with investment opportunities focused on impact, featuring 12 initial issuers. Then, in 2014 and 2015, it expanded to include startups in Mexico and Quebec, along with an "accelerator" program. The new SVX 2.0 platform was launched as a full-service platform in 2017, and the number of social enterprises and non-profit organizations offering shares on this market increased, reaching over 500 by 2021. SVX is a non-profit organization, registered by securities regulators as an exempt market dealer (EMD) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Quebec. It has partners and operations across Canada, as well as in the United States and Mexico. This online investment platform connects accredited investors with enterprises and funds that focus on achieving positive social and/or environmental outcomes.

SVX's mission is to promote social, environmental, and economic justice through impact investing. As a non-governmental organization and a diverse financial institution, SVX works with investors, funds, enterprises, and institutions to help them take the first step or the next step in their impact journey. SVX provides knowledge and programs, develops strategies and products, manages funds, operates an impact investment platform, and designs solutions for systemic change. They operate in sectors with significant influence, such as climate and biodiversity, food systems, real estate and community housing, racial and gender equity, and Indigenous reconciliation. As of March 2025, according to official data presented on the SVX website, the number of enterprises that have used the platform's services to obtain financial assistance is 620, and the number of engaged investors is 728. The mobilized "impact capital" is $55.4 million.

b) Impact Investment Exchange, Singapore, launched in 2013

Impact Investment Exchange (Impact Investment Exchange, 2025) is a social exchange founded in Singapore in 2013, with the goal of providing social enterprises in Asia and Africa with the opportunity to raise investment capital for expanding and strengthening their social and environmental impact. It also offers investors the chance to invest in and trade securities issued by social enterprises that reflect their values.

In May 2013, IIX took on joint management of the Impact Exchange together with the Stock Exchange of Mauritius (SEM), aiming to increase liquidity, transparency, and standardization of reporting on social and environmental impact. This allows social enterprises to gain access to a global and diverse set of investors. IIX was founded by Durreen Shahnaz, a pioneer in impact investing and a leader in sustainable development. The mission of IIX is to create one billion sustainable livelihoods through impact investments by 2030.

Some of the major awards for their work over the years have been awarded by UN Women, The Rockefeller Foundation, Forbes, and Investment Week (2024 Sustainable Investment Awards).

c) Jamaica Social Stock Exchange, Jamaica, launched in 2019

The Jamaica Social Stock Exchange (JSSE, 2025) is a modern virtual platform and venue for the process in which "socially responsible investors" – individuals interested in contributing to and improving the quality of life in Jamaica – have the opportunity to invest in health-related projects requiring public funding, thereby promoting the socio-cultural economy and protecting the physical environment.

Founded in 2019 as a subsidiary of the Jamaica Stock Exchange (JSE), the Jamaica Social Stock Exchange aims to engage the entire Jamaican economy in promoting the social capital market, believing that true development in any country happens across all areas of life and societal aspects. It was officially launched in January 2019 by Prime Minister Andrew Holness, as part of efforts to strengthen the financial sustainability of the non-profit sector and social enterprises in the country.

As of March 2025, through the Jamaica Social Stock Exchange, 5 projects have been funded and implemented, 16 projects are active, and over 271 million Jamaican dollars have been mobilized.

3. Social Stock Exchanges in Development

a. Italy

Torino Social Impact (Torino Social Impact, 2025) is an open platform that brings together more than 300 companies, private and public institutions, financial operators, charitable organizations, foundations, and third-sector enterprises, with the goal of strengthening Torino as an ideal ecosystem for social entrepreneurship and impact investing. Participants sign a Memorandum of Understanding (MoU) aimed at sharing ideas, expertise, projects, and resources, resulting in increased investments and activities that seek to solve emerging social issues through economically sustainable and innovative business models. The outcome is a cluster of skills, activities, and services that reinforce and promote the local ecosystem within the framework of the 2030 Sustainable Development Agenda. The platform carries out numerous experimental projects, such as a Social Stock Exchange dedicated to providing access to financing for small and medium enterprises (SMEs) in the social economy, technology and data for good initiatives, social public procurement programs, as well as training and research focused on impact measurement. Moreover, it represents a unique public-private partnership model, which innovates the governance of the local ecosystem by focusing on the social economy.

Currently, in Italy, the Social Impact Stock Exchange remains in the project phase rather than a fully functional and established exchange. The aim is to create platforms and mechanisms for social investments that encourage social entrepreneurship and sustainable business models.

These efforts include the development of new financial instruments for social enterprises and solutions that generate social impact through experimental projects, including attempts to establish specialized mechanisms such as a social stock exchange. Although concepts and platforms like the Social Impact Stock Exchange are already being discussed and implemented within various initiatives, they are not yet fully institutionalized in Italy and do not operate at the same level as traditional stock exchanges like Borsa Italiana.

b. India

The number of social enterprises in India is growing rapidly, and their ecosystem is developing favorably. However, access to debt or equity financing remains a significant barrier to the sustainable development and growth of these enterprises and consequently, to their ability to achieve their social goals. To address this challenge, the Government of India recognized the need to develop a platform that would securely and efficiently connect social enterprises with investors (Ministry of Rural Development – Govt. of India, 2025). This led to the proposal in the 2019 – 2020 Union Budget to establish a Social Stock Exchange (SSE). In this regard, based on various reports and public consultations, a governance framework for the Social Stock Exchange was introduced by the Securities and Exchange Board of India (SEBI, 2025). In the Indian context, the SSE functions as an additional segment within existing, recognized stock exchanges. The Indian Social Stock Exchange includes specific provisions for both social enterprises and non-profit organizations. It's goal is to attract investors in a transparent and efficient manner, while encouraging organizations to emphasize and prioritize their positive social impact.

The National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) play a key role as platforms that facilitate the operation of the Social Stock Exchange (SSE). They support the listing of approved non-profit organizations and social enterprises, enabling them to raise funds through innovative financial instruments. These exchanges emphasize transparency, accountability, and efficiency to ensure that these organizations can effectively achieve their goals (NSE India, 2024).

c. Belgium

In Belgium, a project has been launched to develop a social stock exchange, known as "Project Blackthorn". Its goal is to provide a platform for investing in companies that not only generate profit but are also committed to actively contributing to positive social change. "Project Blackthorn is developing a public market that will offer a platform for investing in sustainability and social impact. We believe the time has come for all of us, whether individual investors, communities, or institutional investor, to have the opportunity to finance enterprises and projects that generate returns equally valuable from financial, social, and environmental perspectives" (Social Stock Exchange, Belgium, 2025)

Companies, including social enterprises, non-profit organizations, and foundations, will be able to issue and trade their equity and debt instruments on this platform. The transition to an initial public offering will be subject to approval by an admissions committee, to which an application must be submitted. The primary task of this committee will be to evaluate the ability of the companies to articulate their vision for change and their potential to realize it. One of the partners supporting this project is the United Nations Department of Economic and Social Affairs.

Another example is the Luxembourg Stock Exchange, which is known for its efforts in promoting social and green bonds. In September 2024, the issuance of over €10 billion in social bonds by the Council of Europe Development Bank was noted, with these bonds listed on the Luxembourg Stock Exchange.

The examples presented in this study reflect a society that is evolving with a vision toward a sustainable future. Governments and their institutions, even those that have not successfully implemented social stock exchange projects, demonstrate both the willingness and ambition to support this type of market. The primary goal is to create an environment for effective collaboration between social enterprises, non-profit organizations, and foundations, and investors who seek not only financial returns but also socially responsible investments capable of positively impacting society and the environment.

Social Audit of Social Enterprises and Its Link to the Social Stock Exchange

Social auditing in the context of social enterprises is increasingly viewed as a strategic tool for enhancing transparency, stakeholder trust, and organizational efficiency. According to one interpretation, social auditing should offer "a comprehensive evaluation of an organization's social, environmental, and economic impacts. This practice is not limited to compliance or financial reporting; it is a strategic tool that can enhance transparency, stakeholder trust, and operational efficiency. By systematically assessing how an organization's activities affect its workforce, community, and environment, social auditing offers invaluable insights that can drive continuous improvement and innovation" (FasterCapital, 2024). However, in practice, such an approach may prove overly ambitious, especially when no legislative framework exists to support its implementation.

Humble (as cited in Peycheva, 2019, p. 35) outlines a more focused application of social auditing. It can be used to:

- Review the organization's practices in relation to both external and internal social responsibility;
- Identify strengths and weaknesses in the organization's strategy and operations;
- Measure progress toward fulfilling the organization's social responsibility objectives;
- Engage individuals who contribute to the development of social responsibility within the organization.

In this context, social auditing serves as a mechanism for conducting an independent assessment of an organization's ethical behavior, labor protection practices, delays in wage payments, excessive overtime, poor working conditions, risks of workplace accidents, and environmental harm. As Peycheva (2015, p. 18) notes, social auditing thus emerges as a tool for identifying key factors that contribute to unsustainable development.

Due to the fact that social auditing is one of the potential tools for reducing inequalities, addressing social injustices, and considering that social entrepreneurship is “an important instrument for achieving the sustainable development goals related to social and environmental issues” (Bozhikin, 2019), it follows that integrating these two concepts within a legislative framework, along with promoting the adoption of social audits in social enterprises, should be a priority for every developing democratic society.

Social enterprises aim to strike a balance between economic and social objectives by improving living standards or creating employment opportunities for vulnerable groups, and by providing services or other forms of support to overcome social isolation (Peycheva, 2019, p. 73). As such, their activities have a direct impact on society as a whole, and their effectiveness should be subject to proper oversight.

Based on the conducted analysis of the essential characteristics of both social auditing and social enterprises, we can conclude that: “Social auditing of a social enterprise is an independent evaluative process that assesses the ethical behavior of an organization whose primary objective is to create social value”. This tool not only safeguards labor rights and working conditions but also evaluates the environmental impact of the enterprise. The process involves analyzing the actions of the social enterprise in relation to its social mission, with an emphasis on achieving a balance between economic and social goals, generating employment for vulnerable groups, and addressing social isolation. Through social auditing, the aim is to increase transparency and accountability, encourage ethical business practices, and support the innovative and sustainable development of social enterprises.

In the article *The Benefits of Implementing Social Auditing in Social Enterprises* (Chakalova, 2022), several key benefits of social auditing are outlined, including fraud prevention and increased transparency. However, studies indicate that, in Bulgaria and many other parts of the world, companies are not legally required to undergo social audits, and as a result, no standardized regulatory framework for social auditing exists.

A noteworthy example of social auditing in practice comes from India, where both the government and society have made significant strides in encouraging transparency and accountability in social enterprises. In India, social auditing plays an essential role in assessing the social and environmental impact of social enterprises, ensuring compliance with laws and regulations, and evaluating the overall effectiveness of organizations in achieving their social and environmental goals. Kumar (2023) emphasizes that “the social audit of a social enterprise in India is a review of the social and environmental impact of the organization, including compliance with laws and regulations, adherence to ethical standards, and overall effectiveness in achieving social and environmental goals."

While there are many social enterprises in India, for them to deliver real value to all stakeholders and society at large, regulatory frameworks, support programs, and incentives for consistent and accurate reporting are essential. Indian government agencies, such as the Department of Social Justice and Empowerment, offer financial support and guidance to social enterprises addressing social issues. These agencies emphasize the importance of social auditing and assist enterprises in this regard. Furthermore, programs such as the National Entrepreneurship and Small Business Development (NEB) Policy provide infrastructure and resources to social entrepreneurs while also offering robust support for auditing and accountability.

Additional government initiatives, such as the National Rural Livelihood Mission (NRLM) and the National Urban Livelihoods Mission (NULM), often mandate social audits to ensure that resources are allocated properly and that social integration goals are effectively achieved. Although India does not yet have a unified legislative framework for social audits, the government is actively working toward creating and implementing regulations that mandate social reporting for specific types of social enterprises, particularly those operating with public resources or subsidies.

Some of the key legislative and regulatory bodies are:

- Ministry of Rural Development (MoRD): The Ministry of Rural Development serves as a central authority in promoting, institutionalizing, and supervising social audits, particularly under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). The Ministry is responsible for issuing policy guidelines, establishing operational frameworks, and providing financial support to ensure the effective implementation of social audit mechanisms within the programme.
- Securities and Exchange Board of India (SEBI): The Securities and Exchange Board of India regulates the Social Stock Exchange (SSE) and has mandated social audit requirements for social enterprises listed on the exchange. The ICSI Institute of Social Auditors (IISA) – established by the Institute of Company Secretaries of India (ICSI) –functions as a self-regulatory organization that develops standards for social auditing and maintains a registry of certified social auditors in accordance with SEBI's regulatory provisions.
- State Social Audit Units (SAUs): Pursuant to the directives of the central government, several Indian states have established independent Social Audit Units (SAUs). These entities are tasked with conducting social audits of various government schemes and development initiatives at the state level,

with particular emphasis on flagship programmes such as MGNREGA. SAUs thus play a critical role in ensuring transparency, accountability, and participatory governance in the implementation of social welfare schemes.

The problem is that, at present, there is no widespread global practice of subjecting social enterprises to social audits through legislative requirements. Some countries and regions have introduced rules and initiatives that encourage or require social enterprises to demonstrate their social impact through reporting and auditing. These regulations are typically not mandatory for all social enterprises, but may be obligatory for those receiving public funding or subsidies.

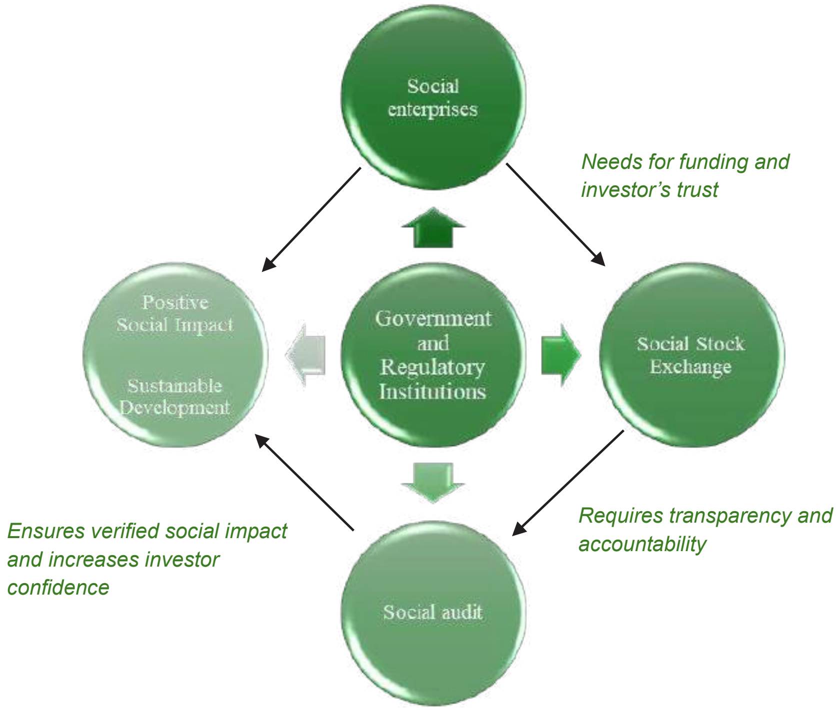
The following examples illustrate how different countries regulate or encourage social auditing practices among social enterprises:

- United Kingdom: In the United Kingdom, social enterprises frequently employ frameworks such as Social Return on Investment (SROI) to evaluate their social impact. While some funding programmes require the use of such audits as a condition for support, social auditing is not mandatory for all social enterprises (Business accounting, n.d.).
- Italy: Italy has enacted specific regulations governing social enterprises that emphasize accountability and transparency in their operations. However, the conduct of a formal social audit is not legally mandatory for all entities within this sector.
- France: France has developed an extensive regulatory framework for social enterprises and organizations serving the public interest. In certain cases, these entities are required to report and verify their social impact, though comprehensive social audits are not universally mandated across the sector.

Nevertheless, in many cases, social auditing is not legally mandatory for all social enterprises. The question of whether social audits should be mandatory is still evolving, and many countries that regulate social enterprises are striving to improve accountability and transparency without embedding social auditing into a legislative framework. There is a growing trend toward recognizing the importance of social accountability, but in many instances, social enterprises choose to conduct social audits voluntarily, as part of their commitment to social responsibility and ethical practices.

The activities of social enterprises impact society as a whole, and their positive or negative effects should fall under the oversight of national regulatory bodies. In this regard, the emergence of innovative solutions that encourage a more serious examination of this issue, and the adoption of measures by governments and various stakeholders, could support the integration of mandatory social auditing for social enterprises.

Perhaps the social stock exchange represents such an innovative solution and an opportunity for change, as it is regulated similarly to traditional stock exchanges, but in addition to standard financial requirements, it may incorporate additional standards for social responsibility and sustainability. Companies listed on the social stock exchange are typically required to provide evidence of the social and/or environmental impact of their activities. Fundraising on such a platform is linked to specific projects implemented by approved social enterprises and non-profit organizations, which are required to disclose their annual goals and achievements, as well as to publish previous social audit reports.



Source: Author's model

Figure 2: Social Audit of Social Enterprises and Its Link to the Social Stock Exchange

The effective functioning of the Social Stock Exchange ecosystem requires the active participation of the state and regulatory institutions. Their role is to create the legal framework, ensure compliance through social audit regulations, and promote transparency and accountability among social enterprises. This interaction strengthens trust among investors and enhances the overall social impact and sustainability of the sector.

Key findings

Based on the conducted analysis, several key conclusions can be drawn:

First. The research reaffirms the fact that different countries, and more specifically governments, institutions, organizations, and society as a whole, show a willingness and ambition to create a sustainable future for all. This desire is evident in both local and global initiatives aimed at social and environmental goals, as well as in improving working conditions and social justice.

Second. The Social Stock Exchange emerges as a promising solution to the main challenges faced by social enterprises. It represents a reliable means for socially responsible investors seeking opportunities to fund organizations and projects that deliver tangible social benefits and are capable of achieving social goals with measurable effects on society.

Third. The development of such an electronic platform would exert positive pressure on the introduction of mandatory social auditing for social enterprises. This, in turn, would lead to the creation of safe and secure working conditions, the implementation of appropriate anti-corruption measures, and the establishment of a system ensuring social integration and justice. Consequently, this would result in a long-term social impact and the sustainable development of these enterprises. Such regulations and practices would support the global effort for higher accountability and transparency in the social economy.

Conclusion

After the global economic crisis of 2008, Europe was confronted with the question of how to minimize the negative consequences while simultaneously achieving sustainable economic growth. The solution came in the form of the document called "Europe 2020", according to which the Union has three main priorities: innovative, sustainable, and inclusive growth. This gave rise to interest in organizations that actively implement socially and environmentally sustainable working practices within their business strategies.

With the growing desire for sustainable development and the importance of social responsibility, it is essential to work on practices that make such growth achievable. The introduction of mandatory social auditing and certification of social enterprises, and others, according to social responsibility standards, would be a step in supporting sustainable development. On the other hand, one of the challenges faced by social enterprises and non-profit organizations is finding the necessary funds for their activities. The solution for such a source of significant capital investments in a market economy is the capital market. The establishment of a Social Stock Exchange is the ideal solution for the specific needs of social enterprises and non-profit organizations, as it connects them with investors who are interested not only in financial results but also in the positive impact on society and the environment.

This study explores the essential characteristics of the Social Stock Exchange and its usefulness in the market economy as an answer to the question: "How can the link between social auditing and social enterprises be reinforced?"

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