

## **Soon: A social stock exchange?**

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IF YOURS is a commercial business, its bottomline will tell potential investors how well the company is doing.

But what if yours is a social enterprise — a business that generates financial returns but also has social impact?

How do you find the money to expand into new markets and multiply such impact? Especially when there is no definitive way as yet to measure social returns.

Mr Alfie Othman, whose company, Ikhlas Catering, hires ex-offenders and single mothers, wants to take a leaf out of the commercial world. He is testing the ground towards setting up a social enterprise stock exchange.

This would function like a commercial exchange for raising equity, but would only be for social enterprises in order to attract investors who believe in a company's financial and social returns.

Response so far has been mixed, said Mr Othman, the company's managing director. "People are very cautious now ... with the economy being what it is. But things will never be perfect at the start, there's always a risk in everything. That's business."

There are few such stock exchanges worldwide. An existing one is the South African Social Investment Exchange, and one will be set up in the United Kingdom this year. A common apprehension is that there is no standard definition of a social return, making it difficult to set benchmarks for companies to qualify for listing.

Ms Penny Low, founder and president of Social Innovation Park, which helps to develop social enterprises, said: "Without a definition, how do you calculate the worth of a social enterprise ... how do you ensure it's acceptable to businesses and investors?"

Bizlink's chief executive officer, Mr Alvin Liew said a social stock exchange represents the next step for social enterprises.

"Venture capital funds are crucial to start-ups who need nurturing when profitability is not assured, while low-interest loans and other credit facilities come when a business becomes stable and can afford to borrow to grow. "There comes a point where you're ready for the next level."

Bizlink helps in finding employment for the disabled.

A listing would also lend credibility to a business, as stock exchanges require minimum standards of corporate governance and accountability.

“You are telling people you are willing to open your books to them and show them results,” said Mr Liew. “That builds trust and reputation and helps you grow, and if you do, your social impact is multiplied.”

However, there will be implications for the sector, said Ms Patsian Low, chief operating officer of Serenity Associates LLP, which provides incubation services for social enterprises.

“There is some level of subjectivity involved — it’s not just based on black-and-white financial returns. If an investor provides the capital but is not as committed to the mission as the rest of the owners or operators, the operations or mission of the enterprise may be diluted further down the line.”

There is also the risk of losing the original social mission, said Singapore Management University entrepreneurship management professor, Tan Wee Liang. Shareholders have the right to demand higher dividends, for example.

But Mr Othman said the challenge is in creating a pool that will draw like-minded investors.

Ms Penny Low, who is also Member of Parliament for Pasir Ris-Punggol GRC, said, “What we take now for granted as accounting standards also took many years to become the norm. Who’s to say we can’t eventually arrive at a standard for social returns that will be accepted by the majority?”

### **Other fundings resources**

There should be more loan facilities that cater to social enterprises linked to non-profits, such as the one from DBS introduced last year, said Ms Low.

Those that treat social enterprises like any other small and medium enterprise are of limited help. “Since (we) have to juggle double bottom-lines, social enterprises may have different timelines and targets for their cash flow and net profit. So benefits ... like the waiver of low-balance account maintenance charges, preferred funding rates of line of credit, are useful in this respect.”

Associate Professor Tan said for now, efforts could be focused on creating more start-up funds beyond established ones like the ComCare Enterprise Fund from the Ministry for Community Development and Sports.

Mr Othman is setting up a venture fund in partnership with a European bank while Social Venture Partners International, which provides expertise and some capital, set up a pro-tem committee in Singapore last year.

Dr Gillian Koh, a member, said the idea is to see if it can get the resources — in terms of skillsets and money — to help social enterprises with ongoing, medium-term help such as building up their organisational capacity.