

Social Bonds; an evolving landscape



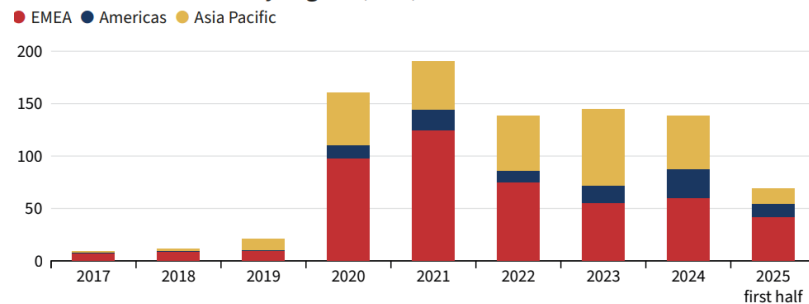
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The current landscape of investor demand for social bonds is marked by a resurgence in interest, diversification of issuers, and evolving standards.

Social bond issuance rose by 20% in 2023, outpacing other sustainable debt classes like green bonds. Demand is driven by investors seeking impact-oriented portfolios, especially in sectors like affordable housing, healthcare, education, and clean water access. Municipal bonds with social labels are gaining traction, particularly in the U.S., where over \$200B in general obligation debt is tied to socioeconomically vulnerable communities.

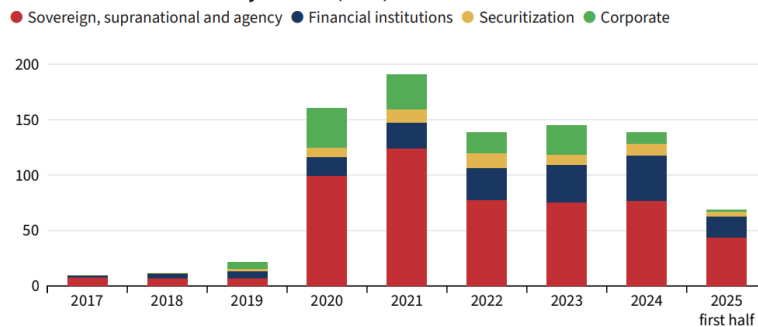
In terms of coverage, Europe remains a leader, with strong institutional interest and regulatory support. Emerging markets are increasingly active, with new issuers from Latin America, Asia, and Africa entering the space. Corporate issuers, especially in utilities and industrials, are expanding their use of social bonds to fund inclusive infrastructure and workforce development.

Social bond issuance by region (€bn)



Global sustainable bond issuance is projected to hit \$1 trillion, with social bonds forming a significant part despite challenges. Challenges include Lack of benchmark-sized social projects, Need for better data and impact measurement, evolving standards to prevent green/social washing. Innovations include Enhanced use-of-proceeds frameworks. New indices like the ICE High Social Impact Muni Index to guide investors toward high-impact opportunities.

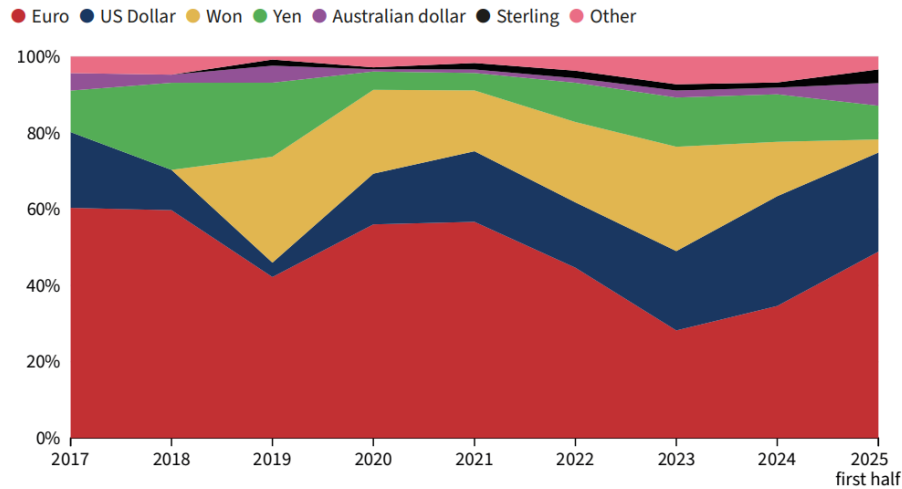
Social bond issuance by sector (€bn)



Social impact is always contextual, not like in the green sphere, where impact is more or less absolute, for example considering the reduction of CO2 emissions. It all boils down to a shared understanding of what constitutes social. Much of what we regard as social lies in the public sphere: education, public services, health. However, that does not mean anything in the public sphere is automatically social. Look at the housing market. In most Western societies, affordable housing is among the most urgent social issues. For societies, however, where housing is easily available or vacancy rates are high, such investments wouldn't be considered social.

So, one always has to address an underserved part of the population. The question is: will standardisation help with that? Do we have to focus on economic activities that provide social benefit or social effect? I would much rather argue we need a shared understanding of how we can determine how social impact is created. So, we go one level above. Certain recent Social Bond Framework has introduced the AAAQ [availability, accessibility, acceptability and quality] model that was also suggested at the European level to make impact rationales more sophisticated. There has been effort to sharpen target populations and make eligibility criteria more precise, while gaining the opportunity to understand better the impact that one can have on relevant target populations.

Social bond issuance by currency



India has taken a major step forward with the Securities and Exchange Board of India (SEBI) introducing a dedicated ESG Debt Securities Framework in June 2025. This framework now includes social bonds, sustainability bonds, and sustainability-linked bonds, separate from green bonds. Key features include Mandatory third-party reviews for social bond issuances. Post-issuance reporting and impact tracking. Clear definitions for eligible social projects: affordable housing, healthcare, education, employment generation, and more.

This regulatory clarity is expected to unlock sovereign and sub-sovereign issuances, especially as India aims to mobilize \$1.3 trillion in green and social finance by 2030.

Chile, Colombia, Slovenia, and Iceland have already issued sovereign social bonds. Emerging markets are increasingly exploring these instruments to fund inclusive development. However, benchmark-sized social projects remain a challenge globally, which can slow sovereign uptake. Having said that, with Strong domestic demand for ESG investments, Government focus on inclusive development (e.g., housing, healthcare, education), and now a robust regulatory framework, it is highly likely that India will issue sovereign social bonds in the near future, possibly starting with pilot programs or thematic issuances tied to flagship schemes like PMAY (housing), Ayushman Bharat (healthcare), or Skill India.