#SROI

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basics to understand Social Return on Investment (SROI)

#1

Social Return on Investment

Social Return on Investment (SROI) is a method for measuring the value that a company creates for the community.

SROI tracks,

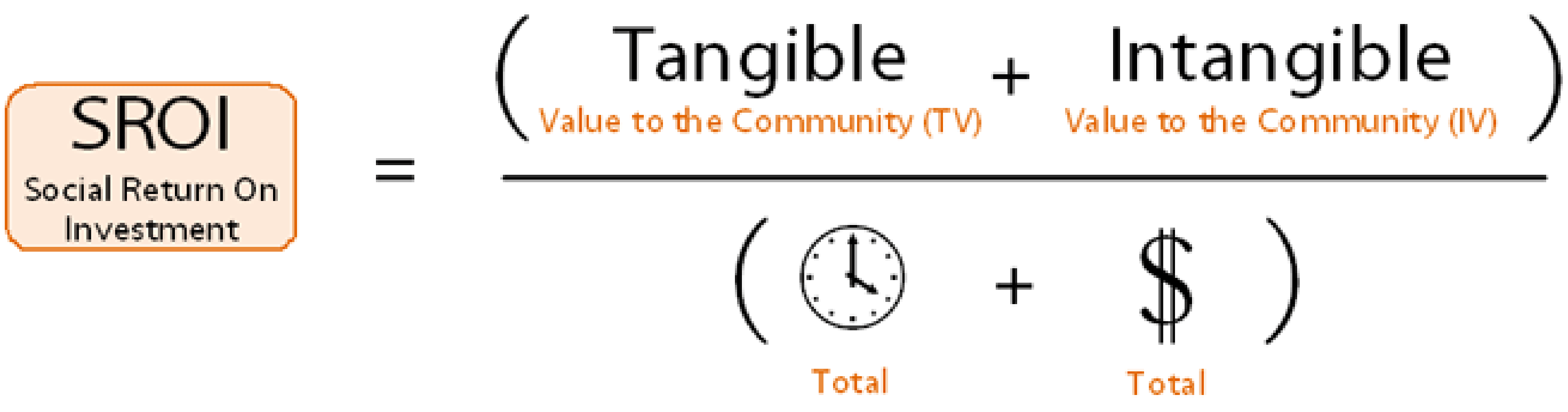
- social,
- environmental, and
- economic

outcomes to measure how much change is being created.

SROI can help companies identify how effectively they use their resources.

#2
Formula

$$\text{SRoI} = \frac{\text{Present value of outcomes}}{\text{Value of inputs}}$$



#3
Types of SROI

There are two types of SROI

Evaluative	Forecast
Conducted after an intervention and based on outcomes that have already taken place.	Conducted before an intervention to predict how much social value will be created if it meets the intended outcomes.

#4

SROI with example

Let’s say that a company CSR has decided to train women on tailoring course through a job-readiness program.

During year one, the company invests Rs.10,00,000 to connect with, train, and educate 20 women group to secure jobs at an average salary of Rs. 1,80,000 per year.

In theory, this would mean that beneficiaries generated INR 36,00,000 (20 x INR 1,80,000) as income.

If we perform the calculation using the SROI formula, we come up with a figure of 2.60

SROI= (36,00,000 – 10,00,000) / (10,00,000) = 2.60

This means that for every Rs. 1 spent, the company created a social impact of Rs. 2.60 for the first year.

#5

Pros & Cons

Pros:

- Helps identify and prioritize areas for improvement
- Can be used to compare different options

Cons:

- Time-consuming and resource-intensive
- May not adequately consider social or cultural impacts and require specialized expert
- Involves subjective and ethical judgments, which can affect the reliability and credibility of the results
- Potential bias for over- or under-claiming & tendency to accentuate the positive benefits
- Putting a financial value on conditions that don't have a monetary value can be controversial and highly subjective

Krishnakumar Balamurugan

CSR & Sustainability Professional

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