

# Applying of Social Return on Investment (SROI): A Practical Review to Financial Social Value and Benefits

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**Abstract.** The objective of the study is to analyze a Social Return on Investment method for companies. Data were collected from scientific publications from 2007 to 2022 and selected based on previous studies. The main principle is to explore, review, and formulate the benefits and contributions of all research, as well as the application of various types of SROI. The methodology resulted in 13 articles that identified the social values and benefits of SROI over the last decade. The results obtained in this paper were reviewed using tables for advanced analysis. Additionally, this study presents qualitative results and investigates methodical publications that have had a significant impact on the company.

Keyword: Benefit, Social Return on Investment, Social Value, Society

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## 1. The Introduction

One of the primary goals of society is to attain well-being in all areas (economic, social, and environmental). However, achieving this goal depends largely on the ongoing interaction among the various factors that make up society, as each of them serves as a fundamental pillar. In construction and attainment of the common good that is pursued. [1]. Therefore, the inherent social responsibility encompasses various commitments that are undertaken by governments, companies, organizations, academia, and communities [2].

The social impact has garnered attention in the last decade, especially from third sector organizations and social entrepreneurs who communicate and assess the consequences and changes occurring within their operating context [2]. The concept of social advancement continues to evolve today. In many parts of the world, there are ongoing efforts to apply theoretical concepts in practical applications. [2]. These indicators determine the added value of social initiatives for companies. The social profit method is beneficial for companies that aim to be socially responsible, as it allows the impact of social commitment to be factored into economic calculations [3]. Therefore, it is easier to measure the success of social projects, as the values of brand identification or image can be factored into calculated through the analysis of interested

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groups and clear objectives. This indicator is not considered when calculating the standard ROI [3].

One measurement method that does not only measure from a business perspective, but also SROI [1]. SROI can measure the value that has an impact for social, environmental, and economic [4], and it has benefit for stakeholders that has invested a number of its resources together with the theory of change [4].

SROI is calculated is not only based on economic factors but also includes social and economics components. The value created by in this model depends on the type of investment. It becomes negative if the investment in social commitment is insufficient.

SROI analysis can be approached in two different ways, depending on the objectives and the project's status. Thus, an evaluative analysis can be conducted using a retrospective approach, based on actual effects that have already occurred, allowing for more precise measurements. On the other hand, there can be a forward-looking approach that attempts to anticipate the future social value of an investment that has not yet been made. The forecast will be realized if the expected effects are achieved [3].

SROI methodology is relatively simple to apply because it is a highly practical format and is perfectly designed to adapt to the unique characteristics of the analyzed organization [5]. It allows us to measure both qualitative and quantitative aspects of an organization, business, or a project. Assigning a value to the social and environmental outcomes of your organization or a project can be a challenging aspect of the assessment, even for those when familiar with research and accounting. Translating them it into monetary values allows for the assessment of their impact, making it a practical tool for any organization or project, regardless of its sector (educational, institutional, third sector, business, etc.) [6]. Also, by having qualitative and quantitative information, communication is very graphic, which helps to better transfer the work done [6].

Measuring SROI index allows companies to measure the effect of investments pertaining to the social benefits. Therefore, SROI inferred as an efficiency index, as it determines the company's ability to convert invested resources into actions capable of generating social benefits. It can also be used to measure the social benefits of corporate welfare programs promoted by the same organization [7].

SROI also enables companies to enhance communication and accountability strategies, increase transparency in resource deployment, and attract a new capital by demonstrating on the validity of their work. In practice, SROI identifies activities using an input-output-outcome model. Data collection involves stakeholders who actively participate in identifying the resulting changes [3]. A Participatory analysis method is important to prevent self-reference in decision-making to the analysis [5].

This work aims to identify SROI concepts and methods with several case studies in various sectors, and to review the implementation of SROI: its benefits and implications for society.

Likewise, for this reason, a review of the conceptual framework for several considerations in this regard is presented. For this reason, this work is to investigate SROI applied in various case studies. Furthermore, the work builds on an inclusive analysis of previous research through a systematic case study review.

## **2. Theoretical Basis**

### **2.1. SROI**

SROI is designed to uncover the social impact activities, where the economic outcome is not the only concern, and where there is a predominant focus on analyzing the tangible and intangible impacts on stakeholders, rather than just achieving budget balance [3] are in accordance with their purposes. SROI measures a substitute in a way that is relevant to organization's experiences [8], such as economic, social, and environmental outcomes change. This consents the cost-benefit ratio calculation. For instance, a ratio of 3:1 indicates an investment of one dollar generates three dollars [9].

SROI can encompass various practice. You can aggregate the value generated by the whole organization, or emphasis solely on a detailed program/ activities. Similarly, there are multiple approaches to conducting the SROI analysis, as it can be performed as an internal exercise within the organization [10].

### **2.2. SROI's Key Points**

SROI approach offers various benefits [11]:

1. Understand the social value of activity;
2. Help direct resources when managing unexpected results, whether positive or negative;
3. Identify common points between the intended outcomes and the stakeholders' objectives, maximizing social value and creating shared value;
4. Establish a formal dialogue with investors to help them understand the initiative and how their contributions can drive change, while also actively involving them in the project;
5. Translate results into financial terms; and
6. Provide information on the results of social investments as required by annual questionnaires and sustainability indicators answered by companies.

### **2.3. How SROI Works**

For companies, SROI is valuable for enhancing management throughout evaluation and planning. Similarly helps companies gain a deeper understanding of their impact on society and facilitates advance communication pertaining to the value of their activities [12]. Philanthropists, and other non-profit organizations can utilize SROI to monetize their social impact in financial terms. The approach differs depending on the program being assessed, but there are 4 key fundamentals required to measure SROI: resource inputs or investments, outputs, outcomes or changes, and impact, which is an estimate of what would have happened anyway. The following steps will then be carried out [8]:

1. Calculate the required investments for measures;
2. Determination of the benefits obtained from social measures. These can include cost savings, expense reduction, or quality improvement;
3. The identified benefits are monetized, thus converted into monetary value. Alternatively, separate scales can be used to measure advantages.

SROI assessment compares the financial impact of the program with its cost to determine the efficiency of the interventions. Financial cost consists of budget, which represents the quantity of resources expended to carry out an intervention. Economic costs, also known as non-financial costs, refer to the values associated with an activity or intervention that have not been compensated for financially. For example, they could include contributions, unpaid worker, or the establishment of various type of unpaid goods or services. Contingent on the interference, the costs may significant and can measured, or, on the contrary, insignificant and disregarded [2]:

$$\text{SROI} = \frac{\text{Net Present Value of Outcomes}}{\text{Net Present Value of Investment}} \quad (1)$$

For an interference to be considered efficient based on the results of the SROI assessment, it is necessary to observe whether:

1. After subtracting the cost value from the benefits present value, the net present value is greater than “0” (NPV > 0).
2. SROI coefficient, resulting from dividing the benefits present value by the cost value, is greater than “1” (SROI > 1).

SROI analysis involves six steps [14]:

1. Define scope and identify key stakeholders. It is important to establish clear peripheries for SROI analysis, including its scope, the stakeholders those involved, and the methodology used;
2. Map the results. Theory of change will be established based on your engagement with stakeholders. This document will illustrate the relationship between input, output, and result;
3. Highlight the results and assign a value. This step involves finding data to demonstrate the results and then assigning a value to it;
4. Determine the impact;
5. Calculate SROI. In this step, all the benefits are totaled, any negative impacts are subtracted, and the result is compared with the investment.
6. Reporting, using, and incorporating. This final step is crucial and involves sharing the results with stakeholders, as well as responding to them by integrating processes that have yielded positive outcomes.

The economic and financial returns refer to the profit obtained from an invested capital, whether through internal resources, financial returns, or external resources, such as economic returns. There is a third type called social profitability, which refers to the benefits attain from a project based on the investment made. It is independent of economic profitability, as a project that can be socially beneficial even if it is not economically profitable for the investor [15]. As a means of

measuring this type of profitability, the SROI index was developed [16]. SROI identifies the financial value of the social impact obtained from money invested in an activity or project. It measures the additional financial value of an investment that is generally not reflected in conventional financial accounts. Its objective is mainly to quantify the social value, which is usually excluded from the markets, in the same terms that are used in the markets.

### 3. Research Methodology

This research is organized into sections comprising a theoretical framework, methodology, results and discussion, and conclusions. Furthermore, this study aims to provide is a comprehensive understanding of SROI implementation by gathering and critically evaluating previous research through a systematic literature review method. In addition, this study addresses the following questions:

1. What are the benefits and impacts of SROI for companies and also for society?
2. What are the determining factors for the success of SRIO implementation?

The research development methodology involves a review of scientific articles distributed from 2007 to 2022. This includes an analysis of the social, environmental, economic costs and benefits. This article aims to analyze SROI approaches through analysis 13 case studies in real-world applications.

### 4. Results and Discussion

Several case studies pertaining to the SROI were selected, and among 12 articles has reviewed for further analysis. These articles are presented in Table 1.

**Table 1** An Existing Previous Literature of SROI

Author/ Years	Concentration	Identified Variables	Approaches	Application Areas
[1]	Built environment	In the fields of outcomes, environmental, and health economics, national-scale datasets contain people's real-life experiences of specific interventions.	SROI	Three non-clinical healthcare buildings in UK
[2]	Assessment of the Economic and Social Impact	Intangible outcomes, Customer's average expenditure	SROI, Sensitivity analysis	An Italian football club
[3]	Sustainable Social Enterprises	Employment, Income, Community contribution	SROI, Analytic Hierarchy Process, Delphi survey, Delphi Method	50 Social enterprise CEOs and experts in Korea
[4]	Impact measurement in micro-finance	Characteristics of borrowers, the number of loans provided, Loan sums per borrower and the use of the loans.	SROI, social cost-benefit analysis, and outreach measurement	Global web-based micro-finance information platform (50 institutions)
[5]	People with dementia	Average wage, Average Unit Cost, Average Cost, Value of Job Satisfaction, Cost Effectiveness.	SROI	Southern London
[6]	SROI Impacts for Tourism	Employment opportunities and the preservation of the city's	SROI, Multi-factor Analysis	Tourism Activity of an emblematic

Author/ Years	Concentration	Identified Variables	Approaches	Application Areas
		cultural heritage are all important factors to consider. Additionally, organizations and institutions play a significant role in promoting and financing tourist attractions.		palace in South Spain
[7]	Approaching circular economy	Population, Outcomes, evidence outcome, income, value, expenses on waste management.	SROI	Fresh market in the rural-urban area of Thailand
[9]	Transparent accountability	Outcomes, Employment, Financial Investment, Training program, Investment payback period, Social return on investment ratio.	SROI	Furniture Resource Centre Group in Liverpool city, UK 196 beneficiaries (rural communities and business enterprises) across four regions in England
[12]	Evaluating Innovation in European Rural Development Programs	Individual, Operational, Relational, Catalytic and System	SROI	The Fast Forward Program (FFP) at Western Sydney University. Community Independent Waste Bank Management Program in East Kalimantan, Indonesia
[15]	Fast Forward Program	Motivation, Pay it Forward, Outcome	SROI	
[17]	Waste Bank Management	Health insurance claim, Gold saving outcome, Deadweight, and Outcome	SROI, Sensitivity analysis	
[18]	People with Early Dementia	Financial Values, Social Outcomes, Quality of Life, Financial appraisal and evaluation.	SROI, Wellbeing valuation, A Theory of Change (ToC)	A Public Services at Derby and Nottingham UK

As shown in Table 1, thus this study presents and summarizes the analysis of SROI applied in various field as discussed below:

The study conducted by Watson [1], which focused on a UK hospital building setting, used SROI to publish the first applied social value research in the built environment. It especially looked at three case buildings' SROI. According to the study's findings, the Case 1 building had an annual impact on building users that was substantially larger than the Case 2 building's, coming in at £375/m<sup>2</sup> vs £229/m<sup>2</sup>. On the other hand, after a 60-year timeframe, the SROI ratio was comparable, returning £2.07 for every £1 invested under the NHS Base Rate for case 1 and £1.98 for case 2. This is due to the fact that building box 1 had a far larger overall "additional cost" of £4,796/m<sup>2</sup> than building box 2, which only cost £3,063/m<sup>2</sup>. SROI data may be used to determine the primary investment difference: £294/m<sup>2</sup> (or just 36.5% of the total cost of £805/m<sup>2</sup>) is spent on professional fees for casing 2.

In the study conducted by Lombardo [2], SROI was used in an attempt to evaluate the social and economic effect of sports enterprises (football clubs). The social impact of football teams and associated charitable organizations on nearby communities and its stakeholders—supporters, sponsors, players, and retailers—was evaluated using Social Return on Investment (SROI) in this

study. Evaluating the effects of the company's operations—both good and bad—on the relevant stakeholders was the goal. Regarding the attendance and involvement of supporters at the stadium, Giovanni et al. assumed that the results were quite robust. Furthermore, during the 2017–2018 championship, roughly 44 million euros were made in social impact, while around 15 million euros were invested financially. This led to an SROI ratio of 2.98:1. This means that around three euros of social value were produced for every euro invested by a football team.

In the study conducted by Kim [3], applies SROI, Delphi, and AHP to evaluate 50 Korean CEOs. SROI is used to establish a standardized approach. This study revealed that Delphi and AHP analyses identified the most significant factors in social entrepreneurship in Korea, with the highest percentage of new employees. This study also argues that SROI allows for more precise evaluation of social enterprises and yields clear results because the evaluation indicators are based on quantitative assessments.

Weber [4] conducted research on a global web-based micro-finance information platform (50 micro-finance institutions) by applying the SROI approach to analyze how it may contribute to measuring the impact of micro-finance. The research also aimed to demonstrate the use of SROI, micro-impact, and social cost-benefit analysis to test their applicability and assess the advantages and disadvantages of the concept. This study reported that micro-impact generates \$0.39 for every dollar of loans. The cost is much higher than the average cost in the mixmarket.org database. The average cost of a dollar loan is \$0.14. Thus, from a cost perspective, micro-impact provides micro-loans in a relatively inefficient manner.

Willis [5] employed the following variables: cost-effectiveness, average cost, average cost per unit, average cost, and the value of work satisfaction. According to the SROI study, the three peer support groups generate positive social value that outweighs the cost of the investment. For every pound invested, the social value generated varies from 1.17 to 5.18 depending on the group's design and organization. No matter how big or little, the study also shown that peer support groups for dementia sufferers boost their members' social and professional lives as well as those of volunteers.

Montes [6] used SROI to identify and analyze the social value generated by tourism activities at iconic palaces in Spain's UNESCO World Heritage Site, as well as the main impacts experienced by stakeholders. The research concludes that the value created by the palace, with the inputs (expenditure for the 2016 financial year) necessary for the development of its activities (€1,020,682.69), results in an SROI ratio of 2.65. These results show that in the initial SROI calculation, for every euro invested by the foundation in the palace, €2.65 of economic and social value was returned.

Thongplew [7] investigates how environmentally driven strategic corporate social responsibility (CSR) initiatives on solid waste can facilitate the transformation of linear solid waste flows into a circular economy. This research aims to contribute to the improvement of solid waste

management by explaining the application of circular economy (CE) through CSR in the context of developing countries.

Rotheroe [9] evaluated the implementation of SROI at the Furniture Resource Centre Group in Liverpool, England. The results of this research reveal that Bulky Bob's SROI is 1.99:1, indicating a positive return on social investment. In other words, for every £1 invested in a trainee, £1.99 of social value is created.

Courtney [12] focused on the application of SROI as a tool for evaluating social innovation in European rural development programs. The proposed approach demonstrates total benefits of £368 million for Axis 1 and £426 million for Axis 3 over the program period. It is also important to consider both the positive and negative aspects when evaluating the results of innovative actions.

The study conducted by Ravulo [15] estimated that the return on social investment accumulated to \$470,286.15, with a financial investment of \$82,124.11 for the five schools. The SROI ratio is 5.73:1, indicating that for every \$1 invested, the Fast Forward Program generates \$5.73 in social value.

Thia [17] studied the Community Independent Waste Bank Management Program in East Kalimantan, Indonesia, to evaluate and provide an overview of the PT Badak NGL CSR programs using the SROI method. The study argued that SROI can serve as a foundation for program optimization. They also claimed that the more waste management, the greater the potential for saving gold and the cleaner the environment will be.

In the study conducted by Hartfiel [18], the researchers aimed to investigate whether a supervised home exercise program (PrAISED—promoting activity, independence, and stability in early dementia) involving 60 patients and 54 caregivers could lead to a positive SROI. The results show that PrAISED generates an SROI ratio of £3.46 to £5.94 for every £1 invested. In other words, PrAISED produces a positive SROI ratio ranging from £3.46 (conservative case) to £5.94 (base case) for every £1 invested.

## 5. Conclusion

This paper categorizes the SROI based on the aspects that were reviewed. The identified articles were retrieved from publications spanning 2007 to 2022. This study has revealed the application of SROI impact and its benefits on economic, social, and environmental sustainability. The concepts that can be utilized are done by any entity, including public institutions and companies, to assess real impacts and identify ways to improve the return on investment. This article highlights the benefits of Social Return on Investment (SROI) based on 13 case study articles. It emphasizes the impact of SROI on social well-being, quality of life, and environmental improvement, particularly from a philanthropic perspective, with special attention to the documentation of social activities. It is important to consider the benefits and follow a strict



economic approach to project evaluation, paying particular attention to cost-effectiveness and cost-benefit.

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