Social Return on Investment: Beyond Financial Returns

1. INTRODUCTION
Organisations are increasingly expected to demonstrate not only financial performance but also the positive impact they create for society. Traditional financial metrics often fail to capture broader social, environmental, and community benefits. Social Return on Investment (SROI) provides a framework for measuring and communicating this wider value.

2. DEFINING SOCIAL RETURN ON INVESTMENT
SROI is a methodology used to assess the social, environmental, and economic value generated by an initiative relative to the resources invested. It measures how much social value is created for every unit of investment. Unlike traditional ROI, SROI captures outcomes such as improved wellbeing, income generation, education, environmental improvements, and stronger communities.

For example, if a community development programme generates Rs. 5 million worth of social benefits from an investment of Rs. 1 million, the SROI ratio would be: SROI = 5:1

3. WHY SOCIAL RETURN ON INVESTMENT MATTERS?
Stakeholders increasingly want evidence that sustainability and social responsibility initiatives create meaningful outcomes. SROI moves beyond reporting activities and focuses on what changed, who benefited, how significant the change was, and how much value was created.

4. OUTPUTS, OUTCOMES AND IMPACT
Outputs are immediate activities such as training programmes or trees planted. Outcomes are the changes experienced by beneficiaries, such as improved employability or increased income. Impact represents the overall change created after considering external influences. SROI focuses on outcomes and impact rather than activities alone.

5. THE SOCIAL RETURN ON INVESTMENT PROCESS
A typical SROI assessment follows several key steps:

5.1. Identify Stakeholders
Determine who is affected by the initiative.

Examples:

Customers

Employees

Communities

Beneficiaries

Suppliers

Government agencies

5.2. Map Outcomes
Identify the changes experienced by stakeholders.

Examples:
- Increased income
- Improved education
- Enhanced wellbeing
- Reduced environmental impact

5.3. Measure Outcomes
Gather evidence to determine the extent of change achieved.

Methods may include:
- Surveys
- Interviews
- Questionnaires
- Performance data
- Independent evaluations

5.4. Assign Value
Where possible, assign monetary values to outcomes to estimate social value creation.

Examples:
- Increased earnings
- Reduced healthcare costs
- Reduced unemployment costs
- Improved productivity

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5.5. Calculate the SROI Ratio

The total value created is compared against the investment made.

SROI = Total Social Value Created ÷ Total Investment

5.6. Report and Improve

Findings are used to improve programme design, stakeholder engagement, and future investment decisions.

6. APPLICATIONS OF SOCIAL RETURN ON INVESTMENT

SROI can be applied to community development projects, employee wellbeing initiatives, environmental programmes, renewable energy projects, financial literacy campaigns, microfinance schemes, and other sustainability-related activities.

7. RELEVANCE TO SRI LANKA

Sri Lankan organisations are increasingly investing in sustainability, CSR, and community development projects. SROI helps demonstrate the effectiveness of these initiatives and the long-term value generated for society.

8. RELEVANCE TO THE FINANCIAL SECTOR

Banks and non-bank financial institutions invest in financial literacy, entrepreneurship development, financial inclusion, education, and environmental programmes. SROI helps quantify benefits such as increased income, job creation, improved livelihoods, and enhanced financial resilience.

9. BENEFITS OF SOCIAL RETURN ON INVESTMENT

SROI supports better decision-making, enhances accountability, improves stakeholder engagement, strengthens sustainability reporting, and ensures social investments align with organisational goals and stakeholder expectations.

10. CHALLENGES OF SOCIAL RETURN ON INVESTMENT

Challenges include data collection requirements, assigning monetary values to social outcomes, measuring long-term impacts, and ensuring methodological consistency. Transparency regarding assumptions is essential.

11. FUTURE OUTLOOK

As stakeholder expectations evolve, organisations are expected to demonstrate value creation rather than simply report activities. SROI provides a practical framework for measuring and communicating social impact and stakeholder value.

12. CONCLUSION

SROI is an important tool for measuring outcomes and impact. It helps organisations understand their contribution to society, improve decision-making, strengthen accountability, and demonstrate long-term value creation beyond financial returns.