



Miller Center
for Social Entrepreneurship

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Creating a Social Return on Investment

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Introduction

In the business world an ROI, or return on investment, measurement is used to track what financial gains investors are getting out of their investments. SROI, on the other hand, is a social return on investment. Social enterprises can report impact in many different formats. One of these formats is an SROI, which connects the financial inputs to the social outcomes by looking at specific investments and reporting social impact in a dollar value.

Although RangSutra has been making an effort to track their social impact more efficiently and reliably, looking into an SROI would be useful to measure the impact of specific investments. Since financial returns cannot tell the full story of the success of any company, especially not those with social motivations that do not generally have high financial returns, if any at all, SROI attempts to tell the fuller story of what any given company is doing.¹

By choosing specific social outcomes to measure RangSutra could reasonably attribute to themselves, they can report on them regularly, alongside financial investments, and report their impact in a succinct way to future investors and stakeholders. The Global Social Benefit Fellows' socioeconomic and baseline assessments created during the summer of 2016 are a good start for tracking income, but the ability to show social return on financial investment is a powerful way to communicate the efficacy of a business model.

¹ "Social Value UK." *Social Value UK*. N.p., n.d. Web. 28 Oct. 2016.

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Social Return on Investment

Issues with Current Data

The survey tool created by the Global Social Benefit Fellows in the summer of 2016 does not capture data useful to creating an SROI. The survey devised by the Fellows from the Miller Center was not created with the intent of composing an SROI and does not carry impact indicators appropriate for this model. The indicators captured do not convert well into monetary terms, which is what is necessary for an SROI. In order to have the information necessary for an SROI, another survey would have to be created and conducted, being very intentional about gleaning information that can be converted into monetary terms.

Characteristics of Useful Data

Data for an SROI has to be collected regularly over a long period of time, starting from a baseline set, before any intervention has begun. Concrete numbers need to be collected from at least two time periods for comparison. When those numbers are compared, dollar values need to be connected to the change over time to demonstrate how much value RangSutra is able to “return” on financial investments.

The most useful kind of data is that which can have a clear monetary value attached to it. One common indicator is education. Study after study discusses the

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dollar value of an extra year in school for men, women, and children.^{2,3,4} Other indicators include income increase and use of preventative healthcare.

For example, Community X has 100 community members and has recently had \$10,000 invested into it. They average 6 years of education per community member in Year 0. In Year 5, that average is up to 9 years. That is an increase of 300 years of education over a 5 year period. If every year of education translates to \$100 over a lifetime, the initial \$10,000 investment has been turned into \$30,000 through social outcomes. For every \$1 invested in Community X, \$3 have been returned through education alone.

To get the data presented in this example, a new survey would have to be created and implemented, preferably in a new region, where baseline data could be collected before any impact has begun. Questions would need to be phrased in a way that collects specific, concrete numbers. A clear monetary investment is also needed to be able to trace social outcomes back to a specific amount of money.

The table below outlines some examples of survey topics to glean data that would be able to produce an SROI. The Information Needed section describes the kind of data that needs to be collected, and the Sample Questions are examples of the kinds of questions that can be asked to get this data. These sample questions were designed to be specific and attempt to attribute any positive changes to Rangсутra's impact.

² Sohn, Kitae. "Monetary and nonmonetary returns to education in Indonesia." *The Developing Economies* 51.1 (2013): 34-59.

³ Duraisamy, Palanigounder. "Changes in returns to education in India, 1983–94: by gender, age-cohort and location." *Economics of Education Review* 21.6 (2002): 609-622.

⁴ Psacharopoulos, George. "Returns to investment in education: A global update." *World development* 22.9 (1994): 1325-1343.

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SAMPLE SROI SURVEY TOPICS AND QUESTIONS		
General Topic	Information Needed	Sample Questions
Education	Number of years in school for both the employee and any dependents	<ol style="list-style-type: none"> 1. How many years of schooling have you received? 2. How many years of schooling have each of your children received? 3. Were your children able to receive more education because of your increased income?
Healthcare	Excess income spent on preventative healthcare	<ol style="list-style-type: none"> 1. How many rupees have you spent on preventative healthcare in the last 6 months? 2. What kind of preventative healthcare did you seek? 3. Did the health insurance you received through RangSutra allow you to access more preventative health opportunities?
Income	Number of rupees made by both the household and the employee	<ol style="list-style-type: none"> 1. How often do you get paid? 2. How many rupees do you get paid per pay period? 3. Do you have any income outside of what you make from RangSutra?

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Conclusion

There is an abundant amount of information dedicated to helping non-profits and social enterprises create Social Return on Investment profiles. There is also plenty of research devoted to discussing the pros and cons of this kind of data. Although creating this kind of profile takes time, effort, and resources, the diversity in impact data is not only attractive to investors, but also useful to creating goals and measuring impact.

For Further Reading

Banke-Thomas, Aduragbemi Oluwabusayo, et al. "Social Return On Investment (SROI) Methodology To Account For Value For Money Of Public Health Interventions: A Systematic Review." *BMC Public Health* 15.1 (2015): 1-14. *Academic Search Complete*. Web. 6 Dec. 2016.

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