



## **Assessing Social Impact using Social Return on Investment (SROI)**

This SROI methodology helps in articulating and understanding the financial value of outcomes created by any social Intervention. It reveals in monetary terms the social value that is created for every rupee invested by an project/intervention. SROI methodology goes beyond the generic economic analysis and focuses on the value of outcomes or changes experienced by the stakeholders and does not limit to focusing only on investments and outputs. Many social outcomes, experiences by direct beneficiaries like increase in, self confidence, communication skill etc are represented in financial terms alongside more tangible cost like salaries. The SROI analysis combines quantitative along with qualitative and using the survey data to give a holistic account of the impacts generated. The end result of an SROI analysis is an SROI ratio that compares investment made as compared to the financial value of social outcomes generated demonstratively and reflected in monetary terms, the financial benefit of social investments made.

It is important to note that while SROI enables social initiatives to be assessed as social outcomes and expressed in financial returns, it is important to note that the social value return calculated through an SROI analysis is not equivalent to a financial return that would see the creation of spendable rupees. It is used to just better understand by valuing social outcomes through financial measures rather than any other economic indicators. By estimating this value through the use of financial proxies, and combining these valuations, we arrive at an estimate of the total social value created by an intervention.

The following SROI calculation is for a skill development Centre located in 4 states.

### **Step 1. Establishing scope and identifying stakeholders**

The stakeholders considered for the SROI were

- a. Participants who have completed the training
- b. Participants undergoing the training

The SROI was calculated for the centres in 4 states of Tamilnadu, Maharashtra Orissa and Bihar

### **Step 2. Mapping outcomes**

The outcomes are the key changes experienced by the completed Participants / Participants undergoing the course which could be financially measured. There were multiple changes experienced by them and these have been narrowed down to the most important outcomes for inclusion in the SROI.



### Theory of Change

The Skill development centres were set up for the youth to enable them with employment / self employment opportunities leading to an increase and sustained income for them. The positive outcomes experienced by stakeholders as expressed in theory of change are mapped in the Impact Map below.

Stakeholder	Objectives	Input	Output	Outcomes	Impact
Participants / Completed Participants	To offer industry specific / demand-driven skills for most disadvantaged youth	Time	Participants enrolled	Improved Sector specific skill sets for Participants	Sustainable livelihood for disadvantaged youth
	To enable increased and sustained income for all the Participants through Placements or Self employment		Lifeskill sessions	Increased employability skills / Placement in the organised sector	Livelihood opportunities in the Organised sector for rural youth
	Skill Training sessions		Increased confidence levels	Enhanced socio-economic status of learner and his family	
	No. of rural women trained		Increased Happiness	Creating Role models among the disadvantaged youth	
	No. of first generation rural youth working in the Organised sector		Improved career prospects	Societal Inclusion of the disadvantaged communities	
	Number of new skills exposed by the rural community		Increased self esteem	Gender Diversity and Equality	



Stakeholder	Objectives	Input	Output	Outcomes	Impact
Participants / Completed Participants	<p>To offer industry specific / demand-driven skills for the disadvantaged youth</p> <p>To enable increased and sustained income for all the Participants through Placements or Self Employment</p>	Time	No. of Participants who are self employed/ entrepreneurs	Improved communication skills	
				Honing hidden talents	
				Ability to work as a team	
				Confidence to face the job market	
				Improved health	
				Increased capacity to set goals	
				Increased problem solving capacity	
				Being positive about the future	
				Increased respect from community/family	
				Clarity of thoughts	
				Contribution to family's income	
Improved status of family					
Facilitators	Training in Life skills and sector specific skills	Time	2 week ToT	Better understanding of self and the role of a facilitator	Efficient and conducive learning environment for the Participants
				Improved course delivery techniques	
				Building rapport with Participants	
				Mentoring Participants and offering them guidance and support	



The Participants were asked to rate whether they had experienced these outcomes before and after the training.

### **Step 3. Evidencing outcomes and giving them a value**

This step determines how stakeholders experience the listed outcomes and establishes the financial value of each mapped outcome. The top 5 outcomes were only considered for this study. The financial proxy was given based on a ranking scale that was given to each outcome. This ranking was based on the responses given by the Participants during the stakeholder consultations.

### **Step 4. Establishing impact**

This step involves considering what other elements are part of the change experienced by Participants. They include:

- Deadweight – what would have happened anyway
- Displacement – the positive impact on one stakeholder at the cost of negative impact of other stakeholder
- Attribution – the change attributable to others

It also considers whether and how much an outcome that extends into the future (past the year of investment) will drop off over time.

These elements are applied as discounts to the value included in the SROI analysis (expressed as percentages). They help ensure that the SROI value is not over-claimed, and provide a ‘reality check’ on the actual impact of the social investment. These values have to be gathered during stakeholder consultations

#### **Deadweight**

The completed Participants were asked a question- What would they have done had they not joined the course - for which the following were the responses

State	Got another job	Higher studies	Remained Unemployed	Total
Maharashtra	21	22	16	59
Orissa	13	14	17	44
Tamilnadu	159	0	88	247
Bihar	38	23	40	101
Total	231	59	161	451

36% would have remained unemployed and 13% would have opted for higher studies. The rest were confident of getting a job.



72% (324 respondents) of the completed Participants were not working before joining the course while the rest were earning. 13% were earning less than Rs.5,000 and 12% less than Rs.10,000/-. The response given by the Participants who were not working prior to joining the course was considered for the deadweight.

State	Got another job	Higher studies	Remained Unemployed
Maharashtra	20%	43%	37%
Orissa	26%	33%	41%
Tamilnadu	52%	5%	43%
Bihar	28%	25%	47%
<b>Average</b>	<b>31%</b>	<b>27%</b>	<b>42%</b>

**The % of Participants who were confident that they would have got a job on their own volition was the value assigned for Deadweight**

Displacement is the positive impact of one stakeholder at the cost of a negative impact on the other stakeholder. It was observed that in Bihar, the PMKVY centre got closed since the start of the program. There were government run centres in Orissa and TN which was not attracting students after the centres were started. Since this trend was not prevalent in all the other places, **a minimal of 5% was assumed as Displacement across all the states.**

The Participants were asked whether they were aware of any similar skill development centres in the neighbourhood for which 28% of Participants in Maharashtra, 5% in Orissa, 12% in Tamilnadu and 26% in Bihar mentioned other similar centres. Pradhan Mantri Koshal Vikas Yojana, IGIAT, Govt. run ITIs etc were quoted. But none of these organisations were offering placements. **Hence the value for attribution for assigned as 10% for all the states.**

The Participants were also asked about the duration they would remember or use the skills learnt. 85% of the respondents had said that the skills learnt – both technical and Life skills- would be useful to them for life and 13% quoted between 2 – 10 years.

State	Duration of skills					Total
	No Response	1yr	2 - 5 yrs	6 - 10 yrs	For life	
Maharashtra	2	0	3	3	51	59
Orissa	2	0	0	5	37	44
Tamilnadu	6	1	26	17	197	247
Bihar	0	0	1	2	98	101
<b>Total</b>	<b>10</b>	<b>1</b>	<b>30</b>	<b>27</b>	<b>383</b>	<b>451</b>
<b>%</b>	<b>2%</b>	<b>0%</b>	<b>7%</b>	<b>6%</b>	<b>85%</b>	



So the duration of the skill was assumed to be for 5 years as that is the maximum that can be assumed in an SROI calculation.

Based on the above findings, the values were assigned for Deadweight, Displacement, Attribution and Drop off % for each state.

State	Deadweight %	Displacement %	Attribution %	Drop off %
Maharashtra	20%	5%	10%	20%
Orissa	26%	5%	10%	20%
Tamilnadu	52%	5%	10%	20%
Bihar	28%	5%	10%	20%

### Step 5. Calculating the SROI

The last step in an SROI analysis is calculating the SROI ratio. The ratio is calculated by multiplying the number of stakeholders achieving an outcome by the value of that outcome (financial proxy), and then discounting for impact. All outcomes are then added together for the total present value, which is divided by the total investment.

The financial proxy for all the outcomes was calculated through a ranking method. Based on the responses the outcomes were ranked. The average salary of the Participants for each state was calculated based on the responses received. The ranking of outcomes were similar for Tamilnadu and Maharashtra but different for Orissa & Bihar

#### Ranking of Outcomes (4 being highest and 1 lowest)

Outcome	Maharashtra	Orissa	Tamilnadu	Bihar
Increased employability /placement	4	2	4	3
Improved Communication skills	3	1	3	4
Increased Happiness	1	4	1	1
Improved Self Confidence/Self esteem	2	3	2	2

It has been observed that Employability/Placements were given top preference for Participants in Maharashtra and Tamilnadu. Participants of Bihar gave priority to their Communication skills. For the Participants in Orissa, Happiness was given the top priority and communication skills the last.



### Salary Slab of completed Participants

State	10,000-15,000	15,000-20,000	3,000 – 5,000	5,000 - 10,000	Less than Rs.3,000	Not Working	Total
Maharashtra	14	6	2	18	0	19	59
Orissa	2	4	3	3	14	18	44
Tamilnadu	44	10	15	75	16	87	247
Bihar	10	2	14	40	15	20	101
<b>Total</b>	<b>70</b>	<b>22</b>	<b>34</b>	<b>136</b>	<b>45</b>	<b>144</b>	<b>451</b>

Based on the above salary slabs, the weighted average salary of each state was calculated, rounded off to the nearest 100.

State	Average Salary
Maharashtra	10600
Orissa	6500
Tamilnadu	8700
Bihar	6900

The financial proxy for the other outcomes was assigned based on the average salary and ranking.

Outcome	Maharashtra		Orissa		Tamilnadu		Bihar	
	Ranking	Financial Proxy	Ranking	Financial Proxy	Ranking	Financial Proxy	Ranking	Financial Proxy
Increased employability /placement	4	10,600	2	6,500	4	8,700	3	6,900
Improved Communication skills	3	7,950	1	3,250	3	6,525	4	9,200
Increased Happiness	1	2,650	4	13,000	1	2,175	1	2,300
Improved Self Confidence/ Self esteem	2	5,300	3	9,750	2	4,350	2	4,600



Total Participants considered for the SROI

	Placed/Self Employed	Not Placed	Undergoing Training	Total
Maharashtra	286	40	90	416
Orissa	87	94	23	204
Bihar	136	115	48	299
Tamilnadu	422	502	76	1000

### SROI Formula

$$\text{SROI} = \frac{\text{Total Net Present Value of social value}}{\text{Net Present Value of the investment}}$$

**Total NPV of Social Value** = Quantity of outcome \* Proxy Value \* (Attribution – Deadweight – Displacement – Drop-off for each year)

The cost per learner in each state\*no. of Participants/completed Participants was used to calculate NPV of Investment for each State.

State	Cost per Learner	Participants	NPV	TNPV of Social Value	SROI
Maharashtra	36,409	416	1,51,46,144	2,03,07,698	1.34
Orissa	40,974	204	83,58,696	1,28,72,918	1.54
Bihar	39,100	299	1,16,90,900	86,23,363	2.97
Tamilnadu	14,624	1000	1,46,24,000	4,33,65,996	0.74

State	SROI
Maharashtra	1.34
Orissa	1.54
Bihar	2.97
Tamilnadu	0.74
AVERAGE SROI	1.65

### SROI Interpretation

For every one rupee spent in the 4 states, a social value of **1.65** was generated. The centres at Bihar was more socially relevant as against the centres at Tamilnadu