

Measuring the Effectiveness of Community Development through Social Return on Investment (SROI) Method: Case Study of PT Bukit Asam Pelabuhan Tarahan, Lampung, Indonesia

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Abstract. The purpose of this paper is to provide a comprehensive description of the Social Return on Investment (SROI) method in measuring social impact as a parameter of the effectiveness of community development in Corporate Social Responsibility (CSR) programs. SROI method is the most feasible and effective method to measure the social impact of community development in CSR programs. The measurement of the effectiveness of Comdev through SROI carried out at PTBA is focused on assessing and evaluating the implementation of the skewer program which has been running from 2019 to 2021 in Sidomulyo Village, Sidomulyo District, South Lampung Regency. Based on the results of the calculations shows that the SROI Ratio of the skewer program in Sidomulyo Village is 3.32, which means that every investment of Rp. 1, - made by PTBA is able to produce an impact or benefit of Rp. 3.32, -. If viewed from the socio-economic side, the skewer program can be said to be feasible and successful.

Keywords: SROI, CSR, Community Development

1 Introduction

The Indonesian government strongly supports the implementation of CSR programs for companies operating in Indonesia. This is mandated in Law Number 40 of 2007 concerning Limited Liability Companies Article 74 and Government Regulation Number 47 of 2021 concerning Social and Environmental Responsibility of Limited Liability Companies Article 2. In general, it is stated that the company is obliged to carry out social and environmental responsibilities. And this is a special thing because not many countries make CSR a mandatory social responsibility program [1]. In the research conducted by Apindo, CSR practices in Indonesia are still limited to the company's main business lines, not being part of a business model that integrates with the surrounding social conditions.

In fact, the CSR funds of the entire company are very large. In 2015 alone, according to the then Minister of Women's Empowerment and Child Protection (Yohana Yembise), the potential for corporate social responsibility (CSR) funds reached Rp 12 trillion a year. If Indonesia's GDP growth in 2015-2020 increases to 33.74% (BPS, 2015 and 2020), it can be assumed that there is an increase in the potential for corporate social responsibility (CSR) funds as well. This

potential increase could reach Rp 16 trillion per year. The very large funds are certainly expected to have a large and positive impact on the community. So the challenge is how the company is able to process CSR funds to develop several CSR programs that will provide maximum outcomes from the existing inputs. Therefore, it is necessary to have an appropriate method to evaluate a CSR program that has been implemented, and the results of the evaluation can be used for planning new CSR programs or updating existing CSR programs.

Most companies in Indonesia currently have not used the right method in planning and evaluating CSR programs, especially community development. Some companies only focus on the large amount of budget for community development programs, without taking into account the results quantitatively. The purpose of this paper is to provide a comprehensive description of the Social Return on Investment (SROI) method in measuring social impact as a parameter of the effectiveness of community development in Corporate Social Responsibility (CSR) programs.

This article has four parts: the first part will explain the various methods of measuring social impact; the second will explain the SROI method; the third will explain the strengths and weaknesses of the SROI method; and fourth will explain the application of the SROI method in PTBA Peltar.

2 Literature Review

2.1 Social Impact Measurement Method

In measuring social impact Clark, et al. [2] have categorized based on its function into three general categories, namely based on the process (Theories of Changes, Balanced Scorecard, Acumen Scorecard, Social Return Assessment, AtKisson Compass Assessment, Ongoing Assessment of Social Impact), the impact (Balanced Scorecard, AtKisson Compass Assessment, Ongoing Assessment of Social Impact, Social Return on Investment, Benefit-Cost Analysis, Poverty and Social Impact Analysis) and monetization (Social Return on Investment, Benefit-Cost Analysis, Poverty and Social Impact Analysis).

2.2 SROI

The SROI concept was first developed by the Roberts Enterprise Development Foundation (REDF) in 1996 in the USA and then further developed by the New Economics Foundation (NEF) in the UK [3]. SROI is a measurement approach developed from cost benefit analysis, social accounting, and social audit that captures social value by translating social objectives into financial and non-financial measures [4]. Meanwhile, according to Nicholls et al. [5] SROI is a framework for measuring and calculating a much broader concept of value including reducing inequality among stakeholders, environmental degradation, and increasing welfare by combining social, environmental, and economic benefits. The yield SROI ratio is the ratio between the value generated and the investment required to achieve an impact.

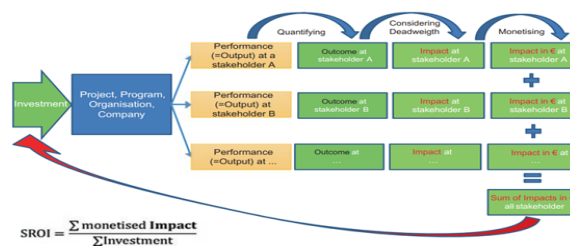


Fig. 1. SROI analysis [3]

The SROI approach has advantages compared to other approaches, including that SROI is a comprehensive approach that includes social, economic, and environmental aspects (triple bottom line), accountability, change management, cost and time effectiveness, as well as the existence of simple and clear indicators through ratio results [4]. In addition, the application of the SROI method in measuring social impacts is very feasible and low-cost if the organization already has data on costs, revenues and desired results [6].

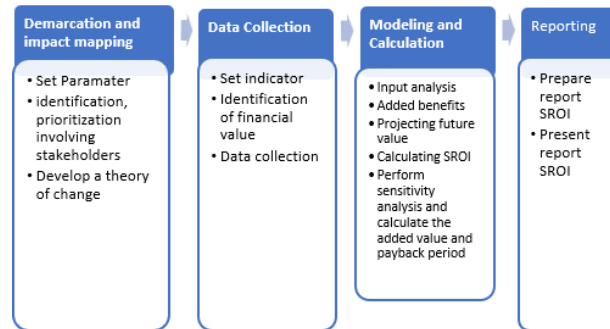


Fig 2. Stages of SROI Analysis [4]

The principles of the SROI approach according to them are 1) Stakeholder involvement, 2) Understanding of change, 3) Appreciating important things, 4) Focusing on including impact materiality. 5) Avoiding excessive claims, 6) Transparency, 7) Verification of results. According to Nicholls et al. [5] SROI analysis has six stages, namely 1) Establishing the scope and identifying key stakeholders, 2) Mapping impacts, 3) Proving and assessing impacts, 4) Building impacts, 5) Calculating SROI, 6) Reporting and implementation.

2.3 Advantages and Disadvantages of SROI

The SROI method of course has advantages and disadvantages (theoretically) in analysing social impacts [7]. The advantages include (1) a holistic approach based on the theory of change, (2) SROI is based on stakeholder involvement throughout the analysis process, (3) SROI is useful as a management tool, (4) There is accountability, transparency, and communication across stakeholder groups, (5) More appropriate for use on small projects, and (6) Beneficial to the wider community. While the weaknesses include (1) the resources needed to conduct an SROI study (time, money, information, and expertise), (2) the difficulty of measuring the value of benefits through financial indicators and proxies, (3) the difficulty of measuring dead weight, displacement and attribution, (4) Financial and accounting aspects (direct costs only, and not overhead), (5) Ratio and report legitimacy, (6) No comparability of projects based on ratios, and (7) Limitations on replication and improvement.

2.4 Application of SROI

In general, SROI analysis is used for evaluation purposes (evaluative), namely assessing an impact that has been generated. However, recent developments in the use of SROI have begun to be used to forecast (forecast) how much social value a project or organization can generate to achieve its intended goals. The results of the SROI forecast can be used for consideration in strategic planning and help show how an investment in CSR programs can produce the most

optimal social value. The application of corporate CSR, measuring social impact with the SROI method can provide benefits in the form of knowing the magnitude of the social impact of CSR programs that have been implemented, and being able to formulate appropriate policies related to their CSR programs [5].

2.5 SROI on Skewer Community Development at PTBA Peltar

The measurement of the effectiveness of Comdev through SROI carried out at PTBA Peltar is focused on assessing and evaluating the implementation of the skewer program which has been running from 2019 to 2021 in Sidomulyo Village, Sidomulyo District, South Lampung Regency. Efforts to measure effectiveness are carried out as a material for corporate communication and corporate responsibility to related stakeholders. This is in accordance with Santoso et al. [8] who revealed that in addition to legal permits from the government, there are permits that must be obeyed by companies in order to operate safely, namely through social permits from the community through corporate social responsibility or CSR activities.

Table 1. Stakeholder & Calculation of Impact Events

Nb.	Impact	Calculation of Impact Events (Evidence)
1	Paguyuban Krajan	
	Income increase	<ul style="list-style-type: none"> Skewers <p>Since 2019 there have been 85 workers consisting of the elderly and disabled who are empowered to be involved in the production of skewers with an income of IDR 235,000 per month. Thus, the value of increasing income from skewers business actors is: $85 \text{ labour} \times \text{IDR } 235,000 \times 32 \text{ months} = \text{IDR } 639,200,000$</p>
	Improved skills and knowledge	<ul style="list-style-type: none"> Skills and knowledge of skewer production <p>There are 85 people from the community members who were originally a vulnerable group (elderly and disabled) who do not have the skills to feel an increase in skills and knowledge in producing skewers after the comdev program from PTBA Peltar. If it is compared to a skewer business training program organized by a professional training institution, the cost to be incurred is IDR 650,000 per person (source: www.tokomesin.com/training-usaha-tusuk-sate-21-oktober-2017.html).</p> <p>Thus, the value of increasing skills and knowledge of skewer production is equal to the cost of the skewer business training multiplied by the number of participants, namely: $\text{IDR } 650,000 \times 85 \text{ people} = \text{IDR } 55,250,000$</p> <ul style="list-style-type: none"> K3 Skills and Knowledge <p>There were 85 people from the royal paguyuban members who felt an increase in skills and knowledge related to K3 using sharp tools in producing skewers after attending training organized by PTBA Peltar. If you take part in an K3 training program organized by a professional training institution, the cost to be paid is IDR 3,500,000 per person (source: www.lk3training.com/detailpost/training-dan-sertifikasi-ahli-muda-k3-umum-bnsp).</p>

Nb.	Impact	Calculation of Impact Events (Evidence)
		<p>Thus, the value of increasing skills and knowledge of skewer production is equal to the cost of the skewer business training multiplied by the number of participants, that is: Rp. 3.500.000 x 85 orang = IDR 297,500,000</p> <ul style="list-style-type: none"> Marketing Skills and Knowledge <p>A total of 10 people from the members of the krajan community felt an increase in skills and knowledge related to marketing after attending training organized by PTBA Peltar. If you take part in similar training activities organized by professional training institutions, the cost to be paid is IDR. 3,990,000 per special package for agencies with the number of participants in accordance with <i>by request</i> (source: www.lauwba.com/training-&-kursus-desain-grafis-&-video-editing.html).</p>
2	TPQ (Taman Pendidikan Qur'an) Mutiara Ummat Insani Increased access to free education	<p>Since 2019 there are 10 students from TPQ Mutiara Ummat Insani who feel that there is an increase in access to education through the goat livestock assistance program provided by PTBA Peltar to parents of students. If it is equated with the cost of education (SPP) local schools, the cost to be spent is IDR. 600,000 per month for one student. Thus, the value of increasing access to free education, that is: 10 students x Rp 600.000 x 32 month = IDR 192,000,000</p>
3	Student Parents Increased Income Increased Know-ledge	<p>Since 2019 there are 4 widows who are members of micro/small business groups that produce various processed products snack (eggroll, singkong frozen, banana frozen, etc) with a salary of IDR 600,000 per month. Thus, the value of increasing income from various processed business actor's snack: 4 people x IDR. 600.000 x 12 month = IDR 28,800,000</p> <p>Since August 2020 there have been 4 members of the micro business group those who initially did not have the skills felt an increase in skills and knowledge in producing various processed snacks after the comdev program from PTBA Peltar. If it is compared to a business training program organized by a professional training institution, the cost to be incurred is IDR 250,000 per person (source: www.https://www.magfood.com/pelatihan-snack-dan-camilan/). Thus, the value of increasing skills and knowledge of skewer production is equal to the cost of the skewer business training multiplied by the number of participants, IDR. 250,000 x 4 people = IDR 1,000,000</p>

(Processed primary data, 2021)

The next step is to calculate the impact value evaluatively on the skewer program in Sidomulyo Village as follows:

Table 2. Calculation of Impact Value

Nb.	Description	Intensit y	Amount	Total
A	INPUT			
1	1000 bamboo seeds help	3x	15.780.000	47.340.000
2	Machine procurement assistance cake bowl		4.000.000	4.000.000
3	Assistance for the construction of SME production houses		15.000.000	15.000.000
4	Business development assistance through sheep for free education TPQ Mutiara Ummat Insani		77.000.000	77.000.000
5	Machine procurement finishing skewers		17.000.000	17.000.000
6	Training assistance K3		20.000.000	20.000.000
7	Training assistance marketing		6.000.000	6.000.000
8	Production assets		41.000.000	41.000.000
9	Comdev worker salary			139.000.000
	Total Input			366.340.000
B	OUTCOME			
	Paguyuban Krajan			
	Income Increase			
	• skewers		639.200.000	639.200.000
1	Increase skills and knowledge			
	• skewers		55.250.000	55.250.000
	• K3		297.500.000	297.500.000
	• Marketing		3.990.000	3.990.000
	TPQ (Taman Pendidikan Qur'an) Mutiara Ummat Insani			
2	increased access to free education		192.000.000	192.000.000
	Student Parents			
3	Income Increase		28.800.000	28.800.000
	Increase skills and knowledge		1.000.000	1.000.000
	Total Outcome			1.217.740.000
	SROI Ratio			3,32

(Processed primary data, 2021)

Based on the results of the calculations presented in table 2, it shows that the SROI Ratio of the skewer program in Sidomulyo Village is 3.32, which means that every investment of Rp. 1, - made by PTBA is able to produce an impact or benefit of Rp. 3.32, -. If viewed from the socio-economic side, the skewer program can be said to be feasible and successful because the calculation results show that the biggest benefit of the skewer program is an increase in income, which is 52.49% of the total outcome.

3 Conclusion

There are 3 monetization methods that are widely used to analyse the social impact on community development in current CSR programs. Among the 3 methods, only the SROI method is the most effective. The SROI method has many advantages that can be optimized as well as weaknesses that must be improved in being able to analyse the social impact of community development on CSR programs more effectively. Some experts argue that the SROI method in the future may have a negative connotation and its popularity will decline if its weaknesses are not corrected. However, for now, the SROI method is the most feasible and effective method to measure the social impact of community development in CSR programs. Based on the result of the calculations the SROI Ratio of the skewer program in Sidomulyo Village is 3.32. If viewed from the socio-economic side, the skewer program can be said to be feasible and successful.

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