Social Innovation in Industry 4.0

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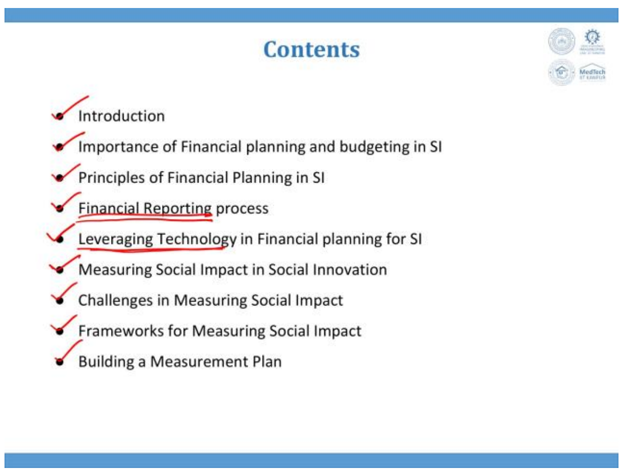
Lecture 24

Financial Planning and Social Impact Assessment

Welcome to the last lecture of week 5. We have been discussing costing in Social Innovation in this week. We have discussed the costing models, what is the importance of costing in Social Innovation and how imperative it is to have a good planned budget for the costing. In this week, the last lecture I will try to discuss social impact assessment. And, some light would be set on financial planning.



The contents would go in this way. We will try to have a quick introduction on what is financial planning though we have discussed it in the previous lectures, but small lines over it would be taken. Then, importance of financial planning and budgeting in Social Innovation, principles of financial planning, financial reporting process is very important. When we try to say financial reporting, we try to make a report, we try to use balance sheets, how are these done, and what are the tools for it that we will try to see. Because we are talking about Industry 4.0 leveraging the technology, influential planning is very important.

Then, measuring social impact in Social Innovation, that is SIA. That would also be discussed. Some challenges and framework for the measurement of the social impact, then building a measurement plan, then also we will try to see a case where all these things are implemented, and how they are running their organization well planned.

Financial planning and budgeting in Social Innovation initiatives involve the strategic management of financial resources to support and drive positive social impact.

It is the process of carefully and thoughtfully allocating financial resources to achieve specific social objectives and missions effectively. Financial planning and budgeting play a crucial role in assuring the success, sustainability, scalability of Social Innovation projects. This was just a recall what we did in the last 3 lectures.

Now, certain Principles of Financial Planning for Social Impact. Financial planning for Social Innovation initiative is guided by a set of principles that ensure the effective and responsible management of financial resources to achieve positive social outcomes.

These principles include mission alignment and social objectives, that is clear understanding of the organization's mission, financial decisions aligned with social goals, mission is the most important keyword here. Multi-stakeholder collaboration which means engaging diverse stakeholders in financial stakeholders could be the investors, could be the users, it could be the owners of the company, it could be the group or the team that you are working with, it could be the operators or anyone. Building partnership for collective vision, because as I said in the previous slides as well that transparency is very important in Social Innovation. When transparency is there, all the stakeholders are very much aware of what is the final goal. It is not generally the profit though profit would definitely come along, what is the collective vision that should be taken into account all the time.

Then, evidence-based decision making, that is the well-planned structured data should be there, so that evidence-based decision is taken. For this the models were discussed. Data-driven financial choices, efficient resource allocation and impact measurement are the components which are taken in the evidence-based decision making.

Assessing needs and goals. Though mission goals were already there, but now the needs, that is dividing the mission into the small work being structured further.

That is, we conduct a comprehensive need assessment, that what kind of the requirement are we trying to fulfill. Then, we try to define specific and measurable goals ensuring they are smart. Stakeholder analysis and engagement, that means all the stakeholders might be again beneficiaries, government agencies, NGOs, investors, community organizations. So, these all are to be identified. Then, we foster collaboration support.

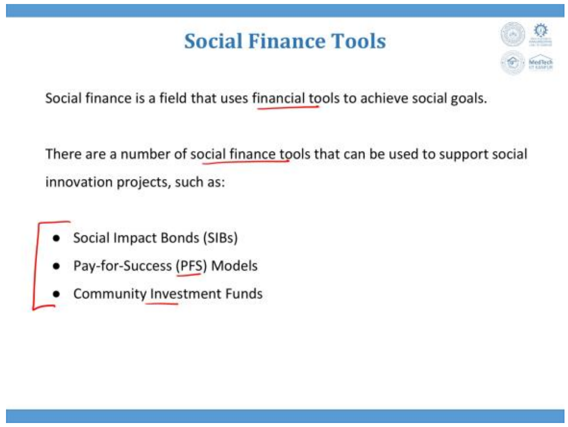
The measurements that we take should be specific, it should be measurable, it should be achievable, relevant and moreover they should be time-bound, which means impact measurement and financial decision-making integrates impact measurement into financial planning. Select relevant impact metrics, use impact data to allocate resources for maximum social benefit. That is the relevant impact metrics could be developed in both in the terms of the qualitative and quantitative means.

Funding Landscape for Social Innovation Projects from where about the funding could be fetched, that could be applied to. There are diverse funding resources which are available.

I would not say resources, these are sources of funding. Government grants that are grants from local government, may be the district level, or may be the state level, chief minister could be approached, or maybe we can have a regional funding for a rural area or so, or maybe national level funding agencies also provide some support to social causes. Then, impact investors, investors who prioritize social impact alongside financial returns are always there, their interest is generally profit, but there are investors who also like to have more social impact.

And, foundations, foundations that is funding from private or corporate foundations that align with the initiative mission. And, CSR (Corporate Social Responsibility) programs in which companies, that invest social and environment initiatives 2 percent of their profit is to be shared as CSR.

This is a mandate from the government of India, which is running. Crowdfunding, crowdfunding means we try to have the fund collection drives, and we try to have a crowd funding people who try to understand what is the need of the Social Innovation, is it benefiting something, are the underserved people being addressed. So, crowd funding is also there where people try to give specific fund for the cause that you are trying to portray there.

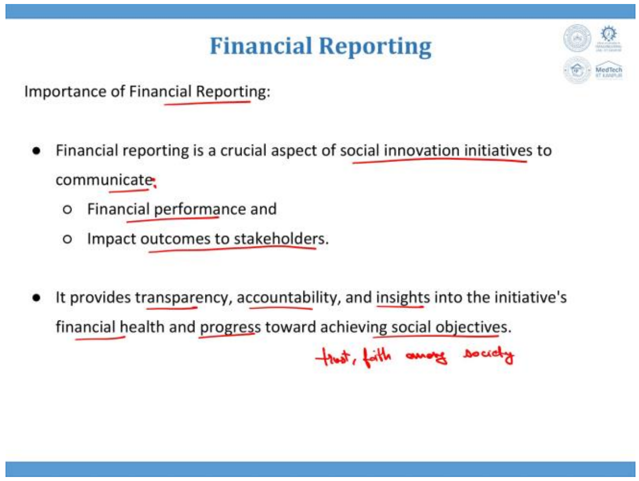


Then, Social Finance Tools, when we are talking about the Financial Reporting, then Social Finance Tools are there. Social finance is the field that uses financial tools to achieve social goals.

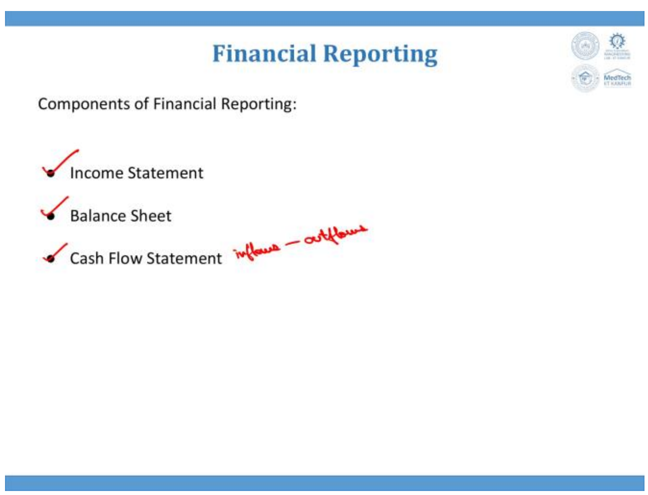
There are number of Social Finance Tools, that can be used to support Social Innovation projects. A few important tools are mentioned here, such as social impact bonds SIBs. These are used in which investors collaborate to finance programs with measurable social outcomes, that is the bonds are written with the investors, and the people who are actually going to employ the system to the society.

Then, pay for success, this is PFS models. PFS models means these align financial incentives with impact achievements attracting socially minded investors.

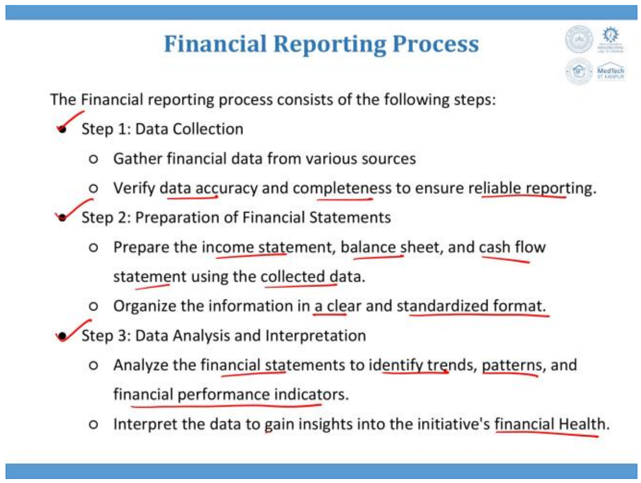
Community investment funds, that is pooled capital for community members to support local projects is done, and these are very useful to collect the money from a greater number of people. Importance of Financial Reporting.



Financial Reporting is an important aspect, which is a crucial aspect, I would say, of Social Innovation initiatives to communicate, because transparency socially, so that the intentions are not bad and there is nothing fishy in there, transparency is always there. So, that is why financial performance and impact outcome to stakeholders is always get, and Financial Reporting is one of the most important aspect of the Social Innovation initiatives. So, it provides transparency, accountability, insights into initiatives, financial health, that is number one, and progress towards achieving the objectives, and also, we are able to build up the trust, faith among society.



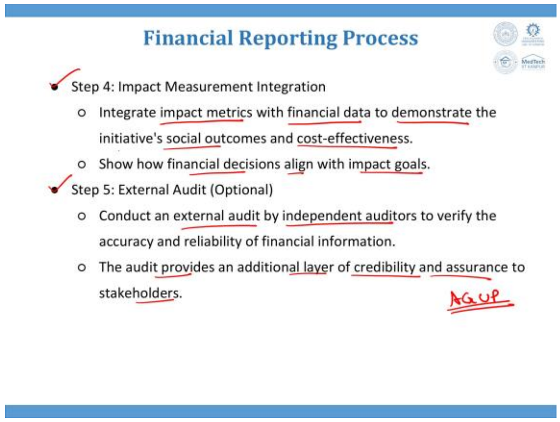
The certain Components of Financial Reporting, that is income statements are there, which could be made public, which could be at least be given to the audit agencies. These income statements present the revenue, the expenses and the net income or loss over a specific period. Then, balance sheet is there, balance sheet means it summarize the assets, liabilities, equity, which means, it provides a snap shot of the initiatives financial position. Cash flow statements, which means, it shows cash inflows and outflows, which indicates initiative’s ability to meet financial obligations. These are a few components of Financial Reporting.



Now, there is a process of Financial Reporting if we say. Financial reporting process consist of the following steps, number one is data collection that is we gather financial data from various sources, that is accounting records, receipts, invoices are all collected.

Then, verify data accuracy and completeness to ensure reliable reporting. Step two becomes preparation of the financial statements, that is we prepare the income statement, balance sheet, cash flow statement using the collected data, which are the components, which we discussed in the previous slide. Organize the information in a clear and standardized format.

Data analysis and interpretation, that is we analyze the financial statement to identify trends, patterns and financial performance indicators. Also, we interpret the data to gain insights into initiatives financial health. This calls the need of data analysis.



Impact measurement integration is step four, where impact measurement is taken, impact metrics are to be developed, which are developed from the financial data. These are used to demonstrate the initiatives social outcomes and cost effectiveness.

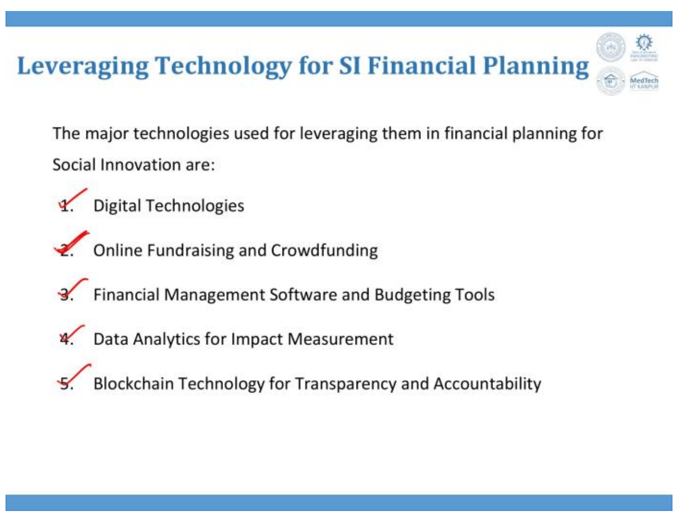
We need to show how financial decisions align with impact goals. External audit is optional, but it is recommended, because internally whatever we are doing, we are trying to look at the same sheet, day and out. An external person, with a different vision, different view point, would come to conduct an external audit, and they are independent auditors to verify the accuracy and reliability of financial information.

So, generally the social organizations have the friends or collaborations with the similar social organizations, who try to have a casual financial audit which are external audits. So, audit provides an additional layer of credibility and assurance to stakeholders.

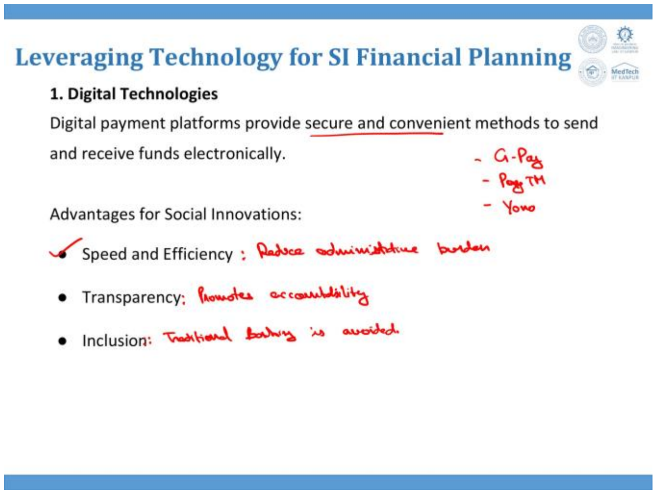
This credibility is taken, if the audit is taken by an accredited auditor. For example, AGUP audit in the state of Uttar Pradesh in India.

Then, leveraging technology for Social Innovation financial planning. Financial technology. FinTech refers to innovative technology solutions, that enhance financial services and processes.

In the context of Social Innovations, FinTech tools offer new opportunities for efficient financial planning and management. By leveraging FinTech solutions, Social Innovation organizations can make it easier to collect donations, make payments, track their financial performance and so on. This is very useful to the organizations, and they become more efficient and effective in their work. How does this work?



There are certain technologies which are there. Majorly five technologies are mentioned here. Number one is digital technologies. Number two is online fund raising and crowd funding. Number three is financial management software and budgeting tools. Number four data analytics for impact measurement, and block chain technology for transparency and accountability. Let us try to talk about all of these one by one.



Digital technologies. Digital payment platforms provide secure and convenient method to send and receive funds electronically. Digital technologies as we know which we do payments through Google pay. We try to receive payment at Google pay. We try to use QR code. We try to use accounts, phone numbers to do.

We use Paytm or any third-party software like these. Now, banks like State Bank of India have come up with the apps like yono. So, so many digital payment technologies and receiving technologies are there. Now, the advantages of Social Innovations using digital technologies is that speed and efficiency. It facilitates the faster transactions and reduce administrative burden.

That means the statements are created by itself, because anything that you are transferring electronically is tracked or is recorded there itself. So, transparency, because we enable real time tracking of financial flows. So, it promotes accountability. Inclusion. Inclusion means it reach beneficiaries in remote areas who have limited access to the traditional banking.

So, a volunteer or a person who is designated for the specific purpose can visit the remote areas, and try to send the resources there, receive the resources there. So, this is all means, the traditional banking is avoided.

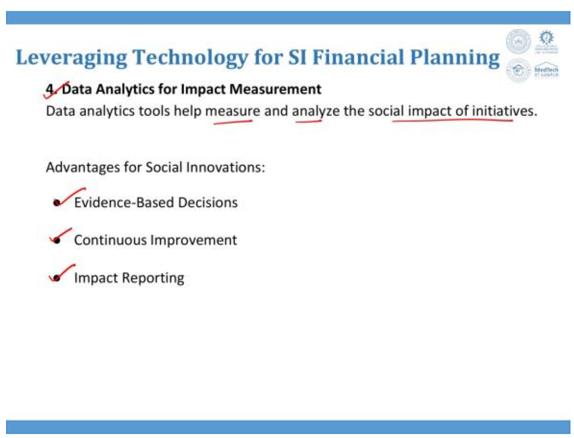
Second is the online fundraising and crowdfunding. Online fundraising platforms connect Social Innovation initiatives with a broader audience of potential donors and supporters. So, benefits of Social Innovation using these resources or these technologies are number one is global reach.

Anything happening in India, people who are not even residents of India, those are NRIs can also try to support their own motherland. Now, global reach is there. This attracts donors from different geographic locations from diverse backgrounds. Then, storytelling and impact. There is certain storytelling platform which are developed, where they tell the story, okay, there is a medical need for a specific person here, or there is a need where the floods have come in Punjab the needs are there.

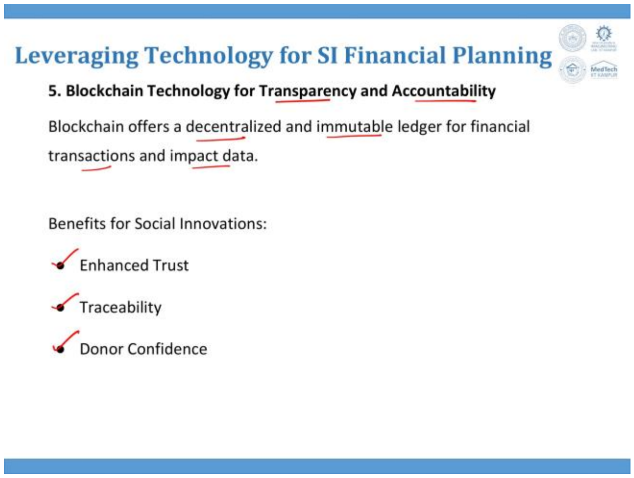
So, people from diverse backgrounds do support in these kinds of the cases. Then, engaging the community. That means, we involve the supporters directly in the initiative success through crowd funding campaigns.

Then, comes the financial management software and budgeting tools. These software streamlines budgeting, expense tracking and financial reporting processes.

So, benefits for Social Innovations using these soft tools or platforms are budget accuracy. Because detailed and accurate budgets could be generated, while improving the resource allocation, and while having a better decision based upon it. Then, real-time monitoring. Real-time monitoring, that is the financial performance in real time for better decision-making is taken again. Collaboration, it enables multiple stakeholders to access and collaborate on the financial data securely.



Data analytics and impact measurement is also one of the technology or one of the tools that helps to measure and analyze the social impact initiatives. The advantages of this are, evidence-based decisions because data analytics is used, the data insights to optimize strategies and resources is always there. Continuous improvement, the data analytics tells what is the performance or what is the report for the current month, what was there for the last 6 months or last years. So, what is the forecast that is coming for the coming months or so. So, continuous improvement is there because we can track what is happening. Impact reporting, then quantify and communicate social outcomes effectively to stakeholders, that is reporting is there.



Blockchain technology, this is for transparency and accountability. So, it offers a decentralized and immutable ledger for financial transaction and impact data, definitely enhanced trust is there. That means, it builds trust among stakeholders through transparent and tamper proof records. Traceability is there, because we are using blockchain technology.

It is easy to track the flow of funds and impact metrics all across the initiative could be seen. Confidence of the donor, we assure the donors that financial accountability and impact transparency is there.

So, with this, we can have long term sustainability planning for social initiatives. That means, it helps to ensure that initiative will be able to continue to operate and achieve its social impact, even after initial funding runs out. And, also there are certain elements for sustainability for long term planning, which includes building a strong financial foundation.

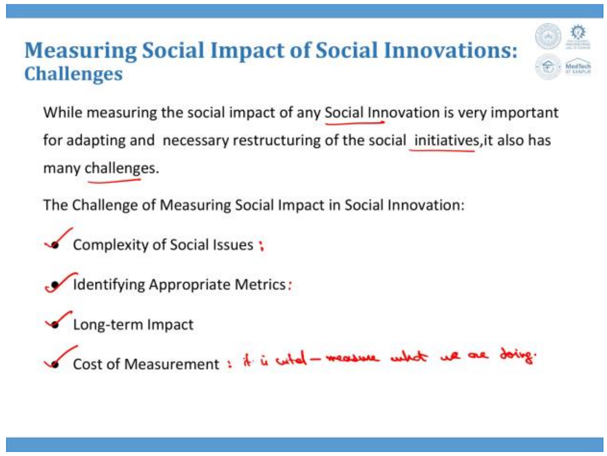
That means, we build-up the reserves to weather the financial challenges, and we create a strong network of supporters, that is we build-up the relationship, with the funding people, with partners, beneficiaries, who can support the social initiative over the long term. We develop a strong brand and reputation. In order to attract new supporters and donors, the financial reporting also help to build-up public awareness of the social initiative, that you are trying to build-up.

Measuring social impact of Social Innovations. Let us try to first understand. So, in the context of Social Innovation, social impact refers to the positive or negative changes resulting from the implementation of the Social Innovation or the initiative, that one has developed.

It encompasses the tangible and intangible outcomes, that the innovation brings to individuals, communities and society as a whole. Measuring social impact is vital to assess the effectiveness, efficiency and sustainability of Social Innovations.

Now, understanding the social impact of an innovation allows us to evaluate effectiveness, efficiency and sustainability, optimize resource allocation and maximize benefits, enhance accountability and build credibility, learn and improve the strategies that we are using, inform policy and decision-making, foster collaboration and collective impact. So, social impact measurements empower innovators to create meaningful change and more just for an equitable society.

That is there are connections, interconnected problems are there, the metrics are developed, Sometimes, impact measurement could also be expensive. So, there are certain challenges here.



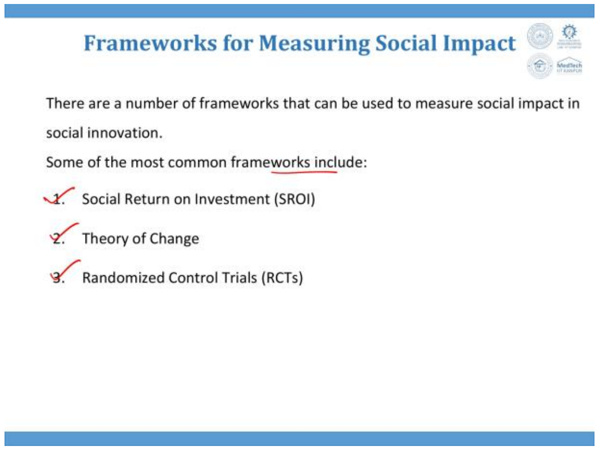
While measuring the social impact of any Social Innovation, it is very important for adapting and necessary restructuring the social initiatives. It has many challenges.

The challenges could be complexity of social issues. When I say complexity, there are interconnected problems making or isolating the innovation impact difficult. For instance, if we are trying to improve the lives of women in rural areas or maybe in very remote areas. Now, tracking their life before this initiative was created is also important. For that, sometimes, cultural hurdles could be there, where the men might not like to get the lives reported. So, complexity or internal connections in the problems could be there.

Identifying appropriate metrics is very important, that is, there is no standard or no universal metric. Relevance of the metric with the issue or with the specific innovation or beneficiaries, it is different. Long-term impact. Impact may take time to surface, that is it requires patience in tracking. For instance, there might be a social initiative, which are trying to have the education level improved for the primary schools.

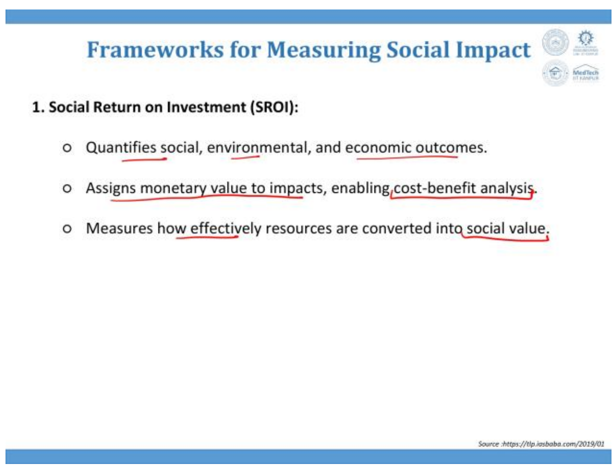
Primary schools means, kids going in the primary schools. If students were studying in class 2, 3, 4 or 5, this impact would be finally be visible 5 years down the line. When they go to class 10, they try to choose a better subject. So, sometimes, the impact is long term. Cost of measurement, that means sometimes the measuring the impact can be expensive, but still, it is vital.

Because we need to measure, what we are doing. So, it cannot be ignored at all. To demonstrate the success or to identify where the failure is this is imperative.



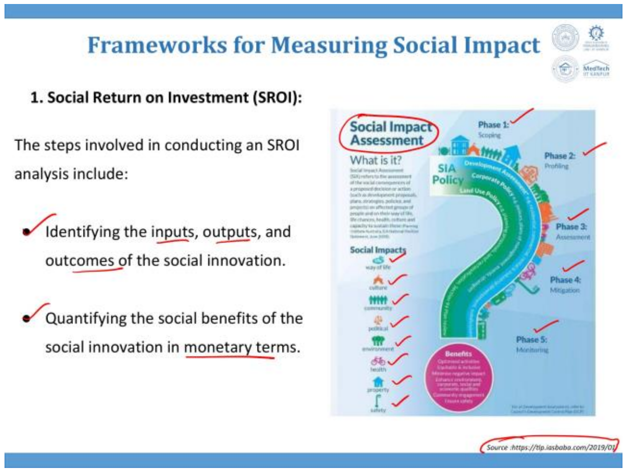
Now, also certain Frameworks for Social Impact measurement of a Social Innovation. Some of the most common frameworks include Social Return on Investment (SROI).

Second is Theory of Change. Then we have RCT, that is Randomized Control Trials. Let us try to see these three.



Social return on investment which is a tool or which is a method, that quantifies social, environmental, and economic outcomes. It assigns monetary value to impact, enabling cost-benefit analysis. It measures, how efficiently resources are converted into social value.

It is suitable for initiatives aiming to demonstrate the value generated for stake holders and society. And, this emphasizes the financial equivalencies as well.

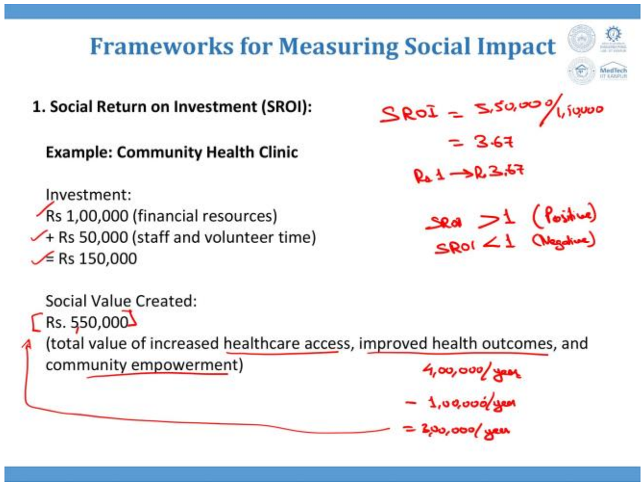


Social Return on Investment. The steps involved in conducting social return on investment analysis include identifying the inputs, outputs and outcomes of Social Innovation. Quantifying the social benefits of the Social Innovation in monetary terms.

There are certain phases for it. This is an illustration given by the source that is mentioned here. There are certain phases. The phase one is scoping, what is the scope of your work. Then profiling, that is little detailing of what you are trying to do, what impact you are trying to measure, and do you need to really study it for further benefit or just need to report it yourself. Then, assessment, taking the assessment finally, mitigation while studying the reports and monitoring it.

There are certain benefits, that mean the activities are optimized. Then, equitable and inclusive things are there. Then, negative impact is minimized. The community engagement is there, safety is ensured.

So, certain impacts might be there. For example, it is given here. The way of life, the culture, community, political, environmental, health, property, safety. So, this is SIA policy (Social Impact Assessment). Let's see how it goes.



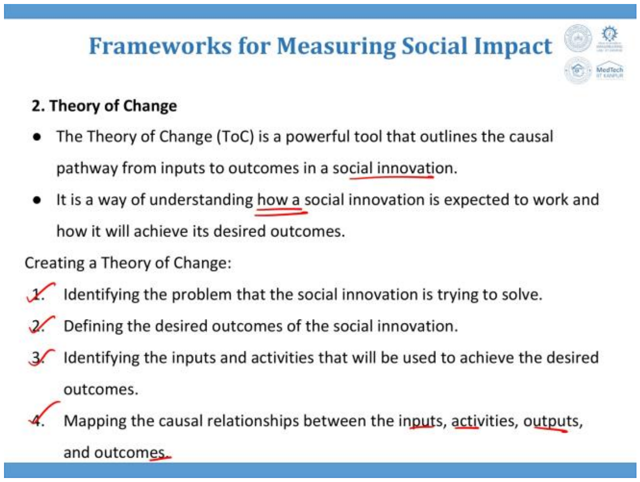
Let us take an example here. In a community health clinic, the investment is rupees 1 lakh for financial resources, and 50,000 is for staff and volunteer time, that is 1.5 lakh is the investment.

Now, social value created. This value is the increased healthcare access, improved health outcomes and community empowerment. How has this been put into the monetary terms, this is important. For instance, to take this amount certain metrics might have been used 5 lakh 50,000. For instance, for healthcare access. Previously, people might be spending lot of amounts of money to have an access to the healthcare itself or may be improved health outcomes are there.

For instance, may be government might be spending rupees 4 lakhs per year on the health of the people, which is now reduced to 1 lakh per year, after this initiative is started. That means 4 lakhs minus 1 lakh, 3 lakh per year is the social benefit. So, this comes here now. Now, SROI, how do we calculate it? SROI is equal to total social value created.

That is 5 lakh 50,000 divided by total investment, that is 1 lakh 50,000. This turn out to be around 3.67. So, SROI, which means for each 1 rupee invested, the product has generated 3.67 rupees.

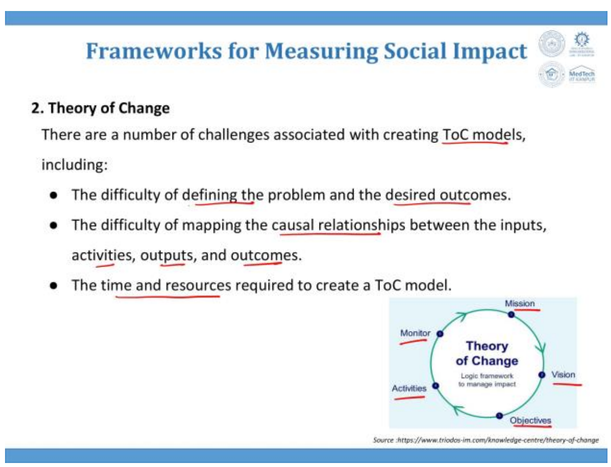
Rupees 1 turns out to rupees 3.67 social value, that is social rate of investment more than 1, that means, it is positive, and if this is less than 1, this is negative. So, that means here, we have got 1 rupee proportionally giving 3.67 rupees of social value, which means social rate of investment is positive, and this is a cost-effective investment in improving the community health and well-being.



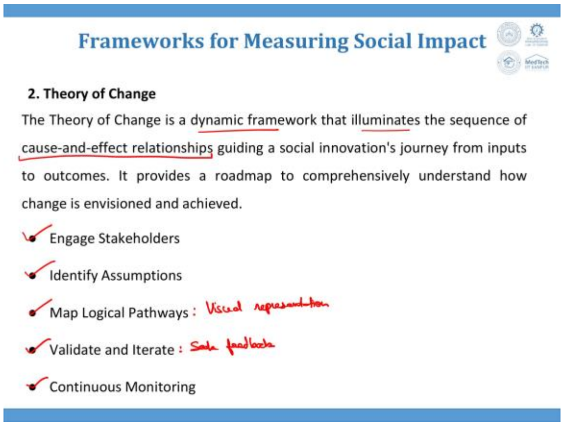
Next comes the theory of change. Theory of change is a powerful tool that outlines the causal pathway from inputs to outcomes in a Social Innovation.

It is a way of understanding how a Social Innovation is expected to work and how it will achieve its desired outcomes. Creating a theory of change. The steps are, number 1, identifying the problem that the Social Innovation is trying to solve. Then, we try to define the desired outcomes of Social Innovation. Then, we try to identify the inputs and activities that will be used to achieve the desired outcomes.

Then, we try to map the causal relationship between the inputs, activities, outputs and outcomes.



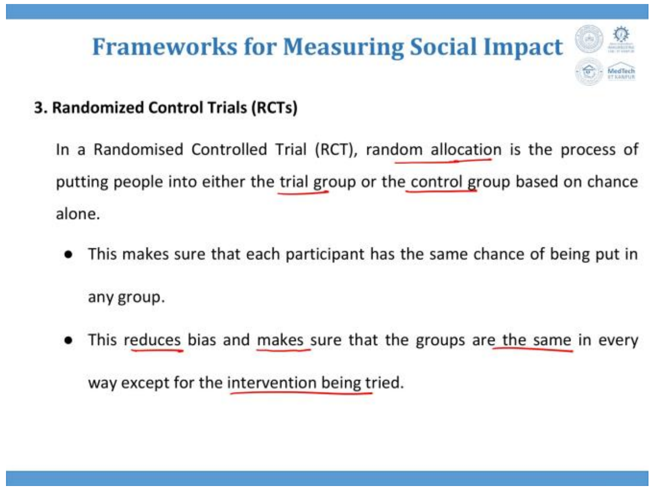
So, this is total or a long process. In general, what we try to do, we are trying to only have the social mission, and vision of that, objectives are laid out, activities, and we try to monitor them, then a framework is developed over it. So, there are number of challenges associated with creating theory of change models which include the difficulty of defining the problem and the desired outcomes. Then, difficulty of mapping the causal relationship between the inputs and activities to the outputs and outcomes. Then, time and resources required to create this, is also a challenge.



For this, it is important that we try to have a complete vision of what we are trying to do. That means, theory of change, though it is a dynamic framework, that illuminates the sequence of cause-and-effect relationship while guiding a Social Innovations journey from inputs to outcomes. It provides a road map to comprehensively understand how change is envisioned and achieved. That means, we need to engage the stakeholders. That is, we need to collaborate with diverse stakeholders to capture different perspectives and insights into the innovation’s objectives.

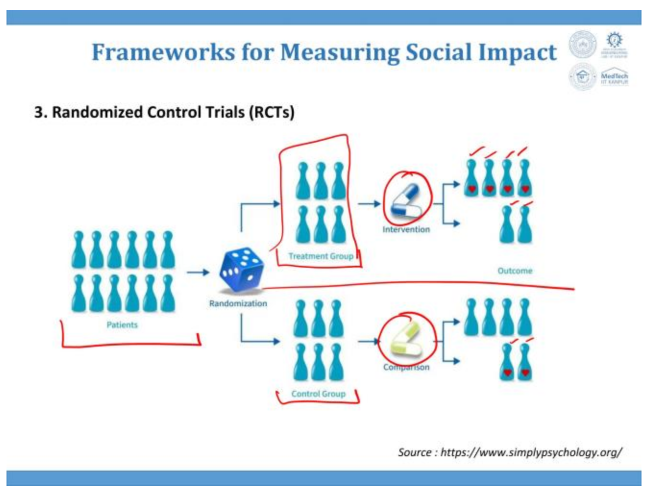
Then, we need to identify assumptions. That is, we need to uncover key assumptions, that underpin the innovations logic, which means identifying potential risks or challenges. Then, map logical pathways. Defining the sequence of actions, outputs, and outcomes, that lead to intending impact is to be mapped.

Validation and iteration is important. Validation means, we craft a visual model. And, validation means, we try to share the model with stakeholders seek feedback. And, whenever we try to present this to map logical pathways or so, this is generally visual representation. Continuous monitoring which means regular assessment of the progress or to gather the data or to adjust the theory that is developed for our innovation is taken into account.



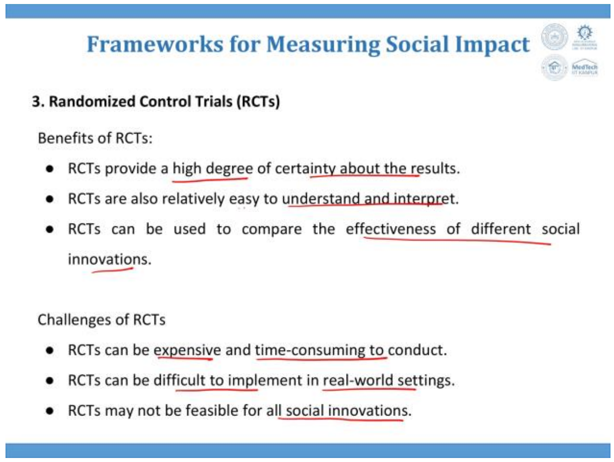
Next comes randomized control trials. Randomized control trials or RCT is a random allocation process of putting people into either the trial group or the control group based on change alone.

This makes sure that each participant has the same chance of being put in any group. This reduces the bias make sure that the groups are the same in every way except for intervention being tried.



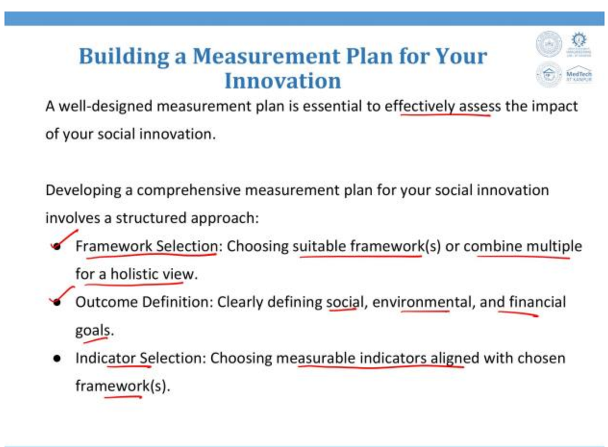
To explain it ,for example, there are number of patients here. We try to have a randomization of them. We try to have a treatment group and control group, that means, these are the group of the patients, in which interventions are taken. And, finally, we see how many patients are treated, how many patients are cured and how many are not cured yet, but this is just for the comparison.

The down group, which is a control group, which is just for comparison, we try to see how many patients are cured in this case. So, this intervention and this comparison is tested using randomized control trials.



The benefits of RCTs are, it provides a high degree of certainty about the results. RCTs are also relatively easy to understand and interpret.

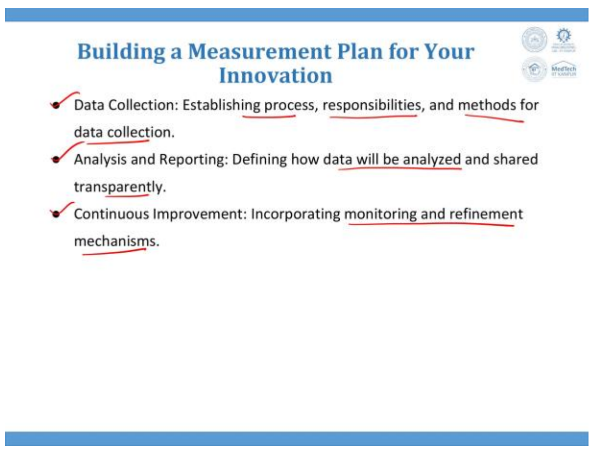
RCT's can be used to compare the effectiveness of different Social Innovations. Challenges here could be that it is expensive at time because we are trying to have a greater number of treatments or a greater number of experiments being conducted. RCTs can be difficult to implement in real world settings that means sometimes we cannot get big number of the data points as well. RCTs may not be feasible for all Social Innovations where the innovation or the people we are trying to study is very few that is sometimes not feasible.



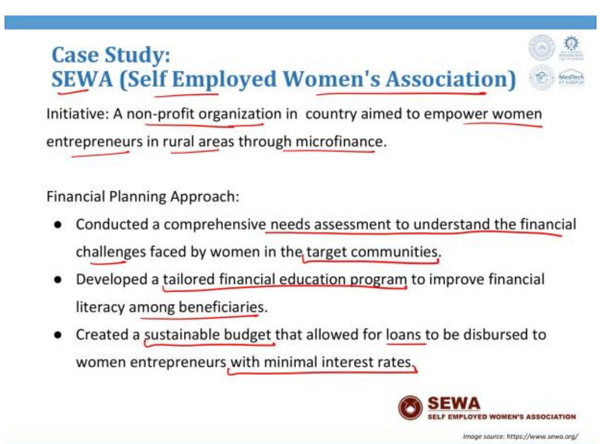
Building a measurement plan for your innovation, though we have talked about three frameworks. Now, there are number of other frameworks which are available to have social impact assessment. And, we have already discussed the three popularly used frameworks here. So, for a well-designed measurement plan, it is essential to effectively assess the impact of your Social Innovation.

So, developing a comprehensive measurement plan for your Social Innovation a structured approach has to be there, that is, we select the framework first. Now, we choose suitable framework or combine multiple frameworks for a holistic view. We try to define the outcome, that is, we should be clear with the social environment and financial goals, that we have in mind.

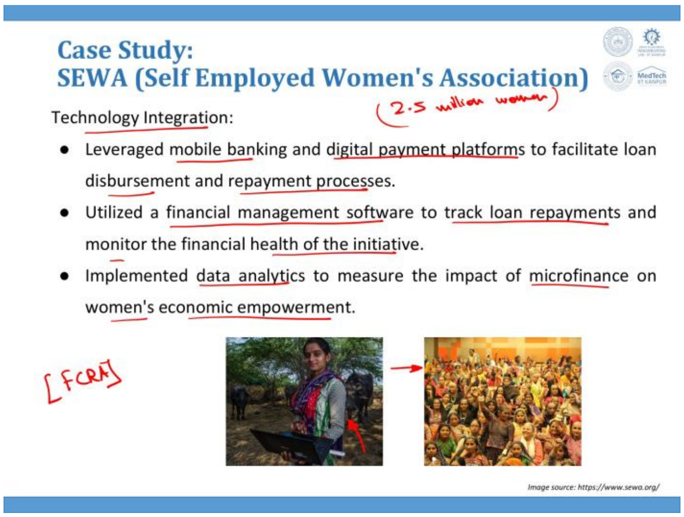
Selecting the indicators within the framework. The indicator , is it only monetary, is it only number of people, is it only number of people cured and how do we measure those indicators and these indicators should be aligned with the chosen frameworks.



Data collection, that is establishing a process of data collection, responsibilities to the people who are involved, methods for data collection, is it online, offline interviewing, questionnaire, and is it only data entry into the software. Then, analysis and reporting, that in defining how data would be analyzed and shared transparently. Continuous improvement, that is incorporating monitoring and refinement mechanisms. This should always be there.



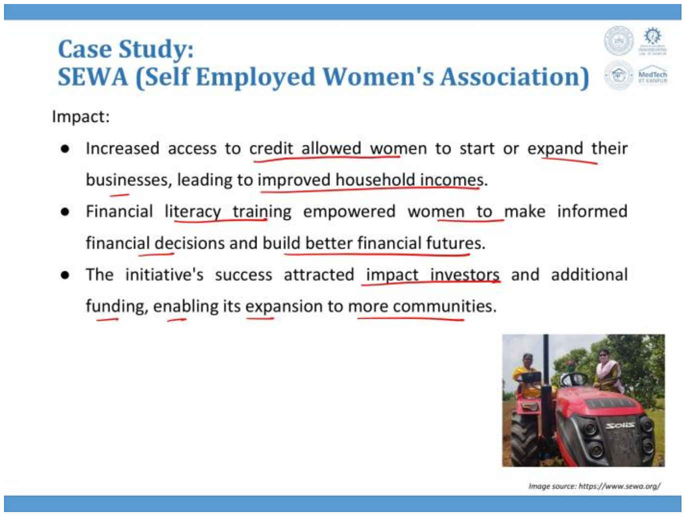
Let us try to see this case of SEWA, that is Self Employed Women Association, which is a non-profit organization in our country aimed to empower women entrepreneurs in rural areas through microfinance. So, financial planning approach, that they have conducted a comprehensive need assessment to understand the financial challenges faced by women in the target communities. They developed a tailored financial education program to improve financial literacy among beneficiaries. They created a sustainable budget that allowed for loans to be disbursed to women entrepreneurs with minimal interest rates.



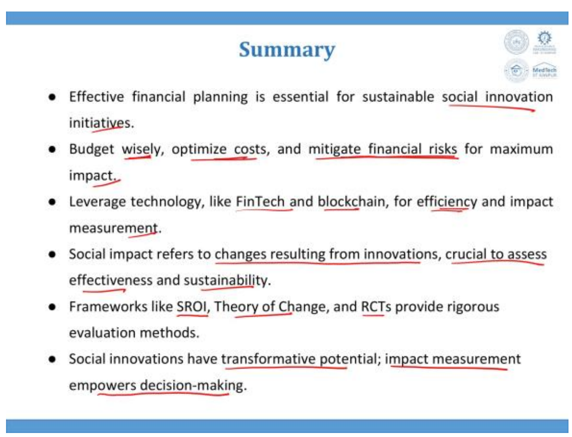
SEWA is now spread into 18 states of India covering around 2.5 million informal women. The best part is, that they have technology integration, that is to help the women to have services like savings and credit, healthcare, child care, insurance, capacity building, communication services.

They leverage mobile banking and digital payment platforms to facilitate loan disbursement to the women and repayment process. They have utilized a financial management software to track loan repayments and monitor the financial health initiative. This is a worker or an employee of SEWA, who visits the rural areas or the specific areas, that are under their access to make the women aware of all the services SEWA is providing.

Then, it implemented data analytics to measure the impact of microfinance and women's economic empowerment. It also has the FCRA account, that means,even the foreign currency or foreign contribution could be taken. FCRA is Foreign Contribution Regulation Act, which is not given to many organizations by the government of India so that the foreign currency or foreign funds are not used for any unethical reasons, but SEWA does have this account.



So, impact that SEWA has created is, that it has increased access to credit, allowed women to start, and expand their business leading to improved household incomes. Financial literacy training empowered women to make informed financial decisions and build better financial futures. The initiatives success attracted impact investors and additional funding, enabling its expansion to more communities. That is why, it is now in 18 states.



To summarize, this lecture effective financial planning is essential for sustainable Social Innovation initiatives. Budget should be prepared wisely, to optimize the cost, and mitigate financial risk for maximum impact. The leveraging of technology, like financial technology, FinTech and blockchain, for efficient and effective impact measurement is important. Social impact refers to changes resulting from innovations, crucial to access effectiveness and sustainability.

Frameworks like social turn on investment, theory of change and RCTs provide rigorous evaluation methods. Social Innovations have transformative potential, that is impact measurement empowers decision-making. With this, week 5 is over. We will meet in the next week, where Professor Ramkumar will discuss further on Social Innovation in Industry 4.0. Thank you.