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Fédération Européenne de Finances et Banques Ethiques et Alternatives
European Federation of Ethical and Alternative Banks and Financiers

Institute for Social Banking
Education and Research

UNIVERSITÀ CATTOLICA del Sacro Cuore
ALTIS
GRADUATE SCHOOL
BUSINESS & SOCIETY

Review of impact assessment methodologies for ethical finance

The present study was commissioned and financed by FEBEA (*European Federation of Ethical and Alternative Banks and Finance companies)*, through an open Call for Research launched in January 2014. ISB (Institute for Social Banking) supported FEBEA in the organization and management of the Call with technical and scientific expertise.

FEBEA is an international not for profit association incorporated under Belgian law, created in Brussels in 2001 with the goal of developing ethical and solidarity-based finance in Europe.
www.febea.org

ISB is a German charitable registered association fostering awareness, knowledge and competence in social banking and finance, through education and research.
www.social-banking.org

From among 13 competing bids, FEBEA and the ISB selected the research proposal submitted by ALTIS, Graduate School Business and Society.

ALTIS, Graduate School Business and Society, was founded in 2005 with the aim of promoting - through research, training, projects and relationships with businesses - the spread of a culture of responsible management. ALTIS was founded and is directed by prof. Mario Molteni, Professor of Business Administration and Corporate Strategy at the Università Cattolica del Sacro Cuore. Young and dynamic, ALTIS embodies both an openness towards the international world of business and the willingness to effectively serve the interests of the students and enterprises with which it interacts.

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Table of contents

Introduction by FEBEA and ISB

Attention on the impact of financial activities on our societies has increased steadily as the consequences of the financial and economic crises continue to be felt throughout communities.

The debate has widened to include both political institutions and civil society, and at the same time the subject of the debate is very broad and includes a wide variety of actors working in the financial sector, with very different approaches and historical backgrounds.

Among these financial actors can be listed those representing that specific kind of financial activity which is often referred to as "ethical", "solidarity-based", "social", "alternative" or "responsible", according to the local operating context. Generally speaking, these institutions have the objective of achieving a positive impact on the communities they serve through the collection and the use of money: they invest in activities such as organic farming, renewable energies, not-for-profit organizations, etc.; they try to respond to the needs of those who are excluded from the traditional banking system; they address the needs of savers and investors who are increasingly interested in the way their money is used; etc.

Through these actors, finance once more returns to be an instrument of economic and social development as well as for innovation in social and environmental initiatives. This is in sharp contrast to the development of commercial banks in a quarterly reporting environment where maximisation of financial return is their primary objective, leading to alienation between banks and their customers.

Given the dominant position of finance in political thinking and that the consequences of the crises will continue to affect our communities for some time to come, it is timely to reflect on the specific role of ethical finance in the present context.

A starting point for the development of the debate must be the analysis of the impacts of ethical finance, particularly alongside that of mainstream finance. However, the ethical finance sector is characterised by a strong heterogeneity of experiences and organisations, which reflects also in the wide range and variety of impact assessment methodologies used internally by ethical finance institutions themselves.

To date, at an academic level, only a few studies have been carried out on these issues, with little coordination among the researchers working on this field.

It is therefore fundamental, as a first step, to undertake a comprehensive review of what has already been done in the field of impact analysis of financial activities (from the economic, social, environmental and organizational point of view), taking into consideration the specificities of ethical finance actors, with the joint aims of :

- contributing to the discussion on the impacts of financial activities,
- supporting the development of further studies on ethical finance and,
- developing a useful tool for ethical finance actors.

Having all this in mind, FEBEA (European Federation of Ethical and Alternative Banks) and ISB (Institute for Social Banking) decided at the beginning of 2014 to issue a specific call for proposal to undertake such a comprehensive review. Among all the proposals received, the one sent by ALTIS (Post Graduate School of Business and Society - Università Cattolica del Sacro Cuore – Milan – Italy) was finally awarded, and the present publication contains the final results of the research.

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Introduction by ALTIS

This document reports on the activities and results of the "Review of impact assessment methodologies for ethical finance" project commissioned by the European Federation of Ethical and Alternative Banks (FEBEA) and the Institute for Social Banking (ISB).

Between February and April 2014, ALTIS, Graduate School of Business and Society of Università Cattolica del Sacro Cuore di Milano undertook a comprehensive literature review to understand the approach of social and ethical banks to social impact measurement. The project also aims to identify a list of outcomes and impacts indicators addressed from an economic, social, environmental, organizational and sector of investment point of view[1].
The methodology consists of a targeted data collection, including:

- **Literature review:** A meta-analysis of literature review in major journals on the Social Impact of financial organizations included in the main rankings and databases (such as the Institute for Scientific Information (ISI) Thomson, EBSCO, Web of Science, Jstore). The research was based on a list of keywords agreed with partners;
- **Analysis frameworks and best practices.** Grounding the analysis on literature review, a web based analysis of best existing cases of social impact assessment was conducted;
- **Identify gaps and suggest further steps.** A review and analysis allowed the research group to identify gaps, and suggest further steps.

This approach was designed to yield an overall assessment of the main authors, journals and trends in academic research, and key best practices in the field, as well as an identification of specific needs and priorities.

The statistical results of the meta analysis and the full list of documents consulted can be found in the Appendix section of this document.

The ethical banking sector has experienced a remarkable growth in recent times[2]. Stated simply, ethical banks are financial entities investing in the real economy. They are not focused on speculation with other people's money, are not merely interested in profit maximization, and are based on trust and confidence between financial agents and the client (person or company). Moreover, their value creation process includes economic, social and environmental values, and this has led to a series of new challenges. One of them is the need to measure their social impact.

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[1] In the present document we use the term "social impacts" to refer to economic, social and environmental impacts
[2] C. Ballesteros, L. Herden "How to measure the social impact of the ethical banking: SROI vs RAI. The FIARE case" in *Prospective Innovation at Ethical Banking and Finance*, 2013

The topic of the social impact measurement is now widely debated in many social and economic disciplines. Nevertheless, the lack of standardization in methodologies remains a very common issue. Therefore, organizations with a strong focus on social impact are particularly interested in understanding the existing methodologies and in finding a way to measure it more efficiently.

For ethical banks, while traditional accounting methods more easily determine financial return, the emerging social impact is still hard to measure in a valid, reliable and transparent way. Indicators showing the social impact of ethical finance are still rare, though there is a growing need for information about the social and environmental impact of these activities. If ethical banks want to keep on growing, they must communicate their impact, and to do so in a successful way, there is a strong need to develop indicators and measures (Weber and Remer, 2011).

A systematic literature review can help discover gaps in previous research and provide a starting point for future research in the field by identifying standards (or a lack of standards), unstudied research topics, and gaps in data collection, to name but a few. Best practices in these metrics can help organizations to select the more suitable outcomes and indicators metrics specific to their challenges, strategies, and goals related to ethical banking activities.

The aims of the present review are therefore threefold:

- Firstly, clarifying terms and underlying concepts currently used to define social and ethical banks (chapter 1).
- Secondly, to provide a critical review of the methods for measuring social impact in particular in the field of ethical banks (chapter 2).
- Thirdly, identifying some of the most used or usable indicator matrices to measure the outcomes of ethical banks' activities; the main gaps , possible practical implications, and future research topics (chapter 3).

1.1 What are ethical banks? Towards a shared definition

Defining ethical banks is not easy, since literature does not agree on a common definition. Table 1 shows a summary of definitions used during time. The term "social bank" is often used as a synonym by both practitioners and academics. Under the "social banking" umbrella are gathered a set of various financial institutions called "ethical bank, sustainable bank, green bank, cooperative bank, alternative bank, credit union and microfinance institutions". All these terms have in common a fundamental element: they consist of some different aspects linked to the two core concepts of social change and development (Benedikter, 2011).

In 1992, Udo Reifner from Hamburg University was the first academic who tried to propose a unifying definition of social banking: "Social banking is banking that fights poverty" (Reifner and Ford, 1992). Although it is true that some ethical banks' mission is to fight poverty and to promote human development through access to credit, this definition appears to be too narrow since it does not consider other aspects linked to social and environmental innovation and community development, that can equally be said to represent ethical banks' goals (Benedikter, 2011).

Later, the same author proposed a second more articulated definition stating that social banking is: " […] directed towards improving the financial literacy of the biggest number of people and populations possible in order to pave the way for a different, more sustainable public consciousness regarding money and finance" (Reifner, 2006). This definition surely catches one aspect of the ethical banks' mission that is, changing the approach to finance of the mainstream financial institutions by increasing the awareness of a broad public (clients, financial institutions, political authorities, etc.) about what is money and how it can be used. Behind this concept, there is a need to achieve the right balance between the economic sustainability of the financial system and the right of access to credit of a broader number of people, since financial products and services are considered for economic and human development. Once again, however, this definition highlights only one aspect of a more complex puzzle.

Another popular definition is the one proposed by Frans De Clerck, co-founder of Triodos Bank Belgium, a branch of Triodos Netherlands, a prime example of the recent European social banking tradition: "*Social, ethical, alternative, sustainable, development and solidarity banking are denominations that are currently used to express particular ways of working with money, based on non financial deliberations[…]They are characterized by value driven impulses and practices at the core of their business[…]Money, intelligently and wisely invested as an instrument for improving (the) quality of life, can have a major impact on human development. Because of this impact, a neutral attitude to investment and lending is irresponsible* […]" (De Clerck, 2009, pp. 1-2). De Clerck's definition points out that the main concern of ethical banks is investing in activities with a social added value. Recalling Reifner's definition, it stresses that social banks originate from a rethinking of the financial approach where banks, as responsible social and economic actors, are singled out to contribute through their services to societal development. Of course this objective has to be combined with economic profitability, in a logic of self-sustainability rather than profit maximization (Becchetti et al. 2011; San-Jose et al. 2011; Alsina, 2002; Cowton and Thompson, 1999). Both objectives are located at the same level and they are fully complementary; without profits, we would not have a sustainable bank for a long time if at all, and without a social dimension, we would have just a bank.

Those concepts are also expressed by James Niven, from the Global Alliance for Banking on Values (GABV), who proposes to define social banking by looking at its purpose, that is: "*[…] to make an impact directly by increasing our lending and investing to people and organizations that benefit people, the environment and culture. Making an impact by influencing others indirectly, both by showing a different approach to banking is possible and necessary and by actively engaging in important wider discussions about the future of the financial industry*" (James Niven, 2010 in a personal interview).

Finally, the Institute for Social Banking defines in his website "Social Banking" as "the provision of banking and financial services that consequently pursue, as their main objective, a positive contribution to the potential of all human beings to develop, today and in the future".

Table 1 summarizes the main definitions of ethical/social bank proposed by academics and practitioners.

Authors	Definitions
Udo Reifner (1992)	Social banking is banking that fights poverty
Udo Reifner (2006)	Social banking is […] directed towards improving the financial literacy of the biggest number of people and populations possible in order to pave the way for a different, more sustainable public consciousness regarding money and finance”
Frans De Clerck (2009)	“Social, ethical, alternative, sustainable, development and solidarity banking are denominations that are currently used to express particular ways of working with money, based on non-financial deliberations[…] They are characterized by value driven impulses and practices at the core of their business[…].Money, intelligently and wisely invested as an instrument for improving (the) quality of life, can have a major impact on human development. Because of this impact, a neutral attitude to investment and lending is irresponsible […]”
James Niven (2010)	“[…] to make an impact directly by increasing our lending and investing to people and organizations that benefit people, the environment and culture. Making an impact by influencing others indirectly, both by showing a different approach to banking is possible and necessary and by actively engaging in important wider discussions about the future of the financial industry.”
Institute for Social Banking (2011)	“Social Banking describes the provision of banking and financial services that consequently pursue, as their main objective, a positive contribution to the potential of all human beings to develop, today and in the future.”

Tab. 1 Definitions of social and ethical bank (Source: self elaboration)

Taking stock of those various contributions, it appears clear that there are some common elements that help define ethical banks (Barbu and Boitan, 2009):

- their mission is to contribute to societal development promoting human dignity and quality of life;
- they want to promote a new approach to finance by encouraging citizens, economic agents, and organizations to use finance in a responsible manner, by supporting sustainable development, solidarity and social cohesion;
- they invest in activities with an economic and social added value.

Those elements are traceable in different kinds of financial institutions commonly considered as social banks, such as alternative and ethical banks, sustainable and green banks, cooperative and mutual banks, private and community shared development banks and microfinance institutions (Weber and Remer, 2011). All of those institutions integrate, in their management ethical, environmental and social concerns but differ in their mission, funding and organizational structure. For example, ethical banks can be considered to operate within the areas of international cooperation, environmental protection, art and culture, fair trade and the third sector. Green banks mainly consider the environmental impacts of their activities. Cooperative and mutual banks distinguish themselves by being founded on principles of cooperation, mutualism and localism, while private and community share development banks provide capital to solve specific community needs. Finally, Microfinance Institutions focus on alleviating poverty (Benedikter, 2012). In this work, we will use the expression “ethical bank” to represent the whole range of definitions.

1.2 Traditional and ethical banks: what makes the difference?

The definitions presented in the previous paragraph highlight the core elements that allow us to distinguish ethical banks. Linked to these features, ethical banks differ from traditional banks in their placement of assets, information transparency, alternative risk management and stakeholder participation in decision-making (San-Jose, Retolaza and Gutierrez-Goiria, 2011).

Due to their social mission, ethical banks are oriented towards clients interested in investing their money, in an ethical way, in projects fostering societal improvement or the environment. Knowingly, they do not accept money that comes from the armaments industry or highly polluting industries. (Kendric, 2004). Consequently, they are interested to evaluate the social and environmental impact of their activities, and of the projects and organizations financed.

Secondly, they value information transparency, especially towards customers. For example, many ethical banks tell their clients how their money is invested and on what conditions. In some cases, clients can actually decide where their savings are invested. Sometimes, transparency is also applied to employees’ salaries, in particular top management, published online (San Jose and Retolaza, 2008).

As for risk management, ethical banks try to address people and projects not considered by traditional banks. They usually pay special attention in supporting self-employment or entrepreneurship of socially disadvantaged people, women and youth, often through microcredit and microfinance. Consequently, they do not consider only collateral, but also personal and social guarantees provided by the local network in which the funding is allocated.

Finally, ethical banks encourage a broad involvement of their employees, members and shareholders through established procedures and structures that enable stakeholders to be involved in the bank management strategies (De la Cuesta and Del Río, 2001). For example in Banca Etica, the Italian ethical bank, clients who are also members can take part in the general assembly and everyone can vote, regardless of the number of shares subscribed.

FEBEA has also drafted and published on her website a list of 25 criteria, divided into 5 main categories (role of the bank, money collection, money destination, values for the use of money, bank management) to differentiate ethical banks from traditional commercial banks[3].

Table 2 summarizes differences listed above.

Please note that the two kinds of banks and their characteristics can be considered as two extremes of a spectrum, and in the between there are several other actors that may differ in terms of positioning for each criteria.

TRADITIONAL COMMERCIAL BANKS	ETHICAL BANKS
• Financial return for bank, employees, investors and customers	• Wider, total return to the bank's community in addition to financial sustainability
• Seek short term profit maximization, preferably by way of quarter on quarter growth	• Seek to offer a fair rate of return for everyone
• Work behind customer confidentiality to be opaque, if not secretive, about where they work and invest	• Work with their stakeholders to promote transparency in where they work and invest
• Use wholesale and customer funds to fund their loan book	• Use only customer funds and own capital to finance loan book
• Treat customers as transactional profit centres	• Value customers as long term relationships, often as partners
• Rigid hierarchy of decision making leads to bank lending in its own image, without taking into consideration the needs of local communities	• While the bank makes its own credit decisions through dialogue it offers stakeholders broader levels of engagement, therefore allowing a better understanding of needs
• Rigid hierarchy of organisation structure leads to silo approach and extended chain between top and bottom	• Solidarity in day to day management and treatment of co-workers leads to more holistic approaches and firm ties eg on salary ratio between top and bottom

Table 2 Differences between ethical and traditional banks (Source: Self elaboration from FEBEA and Barbu and Boitan, 2009)

[3] http://www.febea.org/sites/default/files/definition_ethical_bank-en.pdf

1.3 Ethical banking networks

During the recent crisis, ethical banks have stood out for their robustness and reliability: in fact, they have increased their assets with growth rates of about 20-25% per year (Benedikter, 2012). Strengthened by this success, ethical banks are becoming recognized by the public as emerging financial players. Despite the growth in public interest towards ethical finance, they are still too small, compared to the mainstream financial players who have been around much longer, to individually bring about change within the financial system on a broad scale. In order to increase public awareness about the need for a new banking architecture, ethical banks have started to create strategic worldwide alliances to connect practitioners and researchers. The main goals of these associations are the following: creating a network among ethical banks in order to share learning and experiences, and influencing the mainstream in order to introduce the idea of a new "financial humanism", where finance can truly be a trigger for a sustainable development (Benedikter, 2012).

INAISE, the International Association of Investors in the Social Economy, founded in 1989 in Barcelona by seven organizations, was the first joint venture of this kind. Today INAISE has some 50 members from around the world. Its main object is to further the development of finance organizations involved in the social economy. This aim is pursued through:

- encouraging and supporting international (including North:South and East:West) cooperation between investors in the social economy;
- providing information to organisations and individuals interested in the field of social economy financing;
- disseminating information on its members, new publications, conferences and training courses;
- organising and promoting international conferences;
- contributing to research projects in the field of social economy financing, in partnership with its members;
- facilitating and co-ordinating joint projects and working groups by its members.

A second important initiative is the "Global Alliance for Banking on Values" (GABV) founded in 2009, by 12 social and ethical banks from around the globe. Members founded this association in the belief that contributions can be made in order to change mainstream finance and to sustain innovation in the financial sector.

The main goals of GABV are:

- raising financial capital to fund the growth and impact of sustainable banks;
- developing human capital of capable sustainable bankers who can efficiently use the financial capital raised;
- measuring the impact of the network to show results to a wide group of stakeholders – from investors to clients to the general public;
- actively engaging in discussions on important issues, influencing the mainstream and supporting public policy developments;
- expanding the network of sustainable banks further increasing the reach of members' business models.

Looking at the European market, there are two important experiences to be mentioned: the European Federation of Ethical and Alternative Banks (FEBEA) and The Institute for Social Banking (ISB). FEBEA is a non profit organisation created in Brussels in 2001 by Crédit Coopératif (France), Caisse Solidaire du Nord Pas-de-Calais (France), Crédal (Belgium), Hefboom (Belgium), Banca Etica (Italy) and TISE (Poland). FEBEA is a place where members can share practices and experiences and it aims to create financial tools to help existing European initiatives and encourage the growth of new ones in the field of alternative finance.

So far FEBEA has developed several tools, among which we can list:

- the guarantee fund "Solidarity Guarantee", managed by Crédit Coopératif in France;
- the investment fund "Solidarity Choice", managed by the Crédit Coopératif's asset management company (France);
- the financing company "SEFEA" (Société Européenne de Finance Ethique et Alternative), a European ethical and alternative financing company.

In 2006, another important initiative was the establishment of the ISB, founded by a pool of European ethical banks and foundations. ISB is an education and research institute promoting cooperation between practitioners and academia on ethical banking and ethical finance. It follows the idea that education is one of the decisive pillars for changing the mainstream attitude toward money and finance in a more inclusive and balanced direction. It offer courses, workshops and encourages research.

2.1 Social Impact

Any kind of organization generates social and environmental effects that can even go beyond the mission and the core business: impacts that may concern employees, the community and environment. These impacts can be positive or negative and can change according to stakeholders and the context in which the organization operates: what is positive in one context can assume negative connotations in another. Some positive impact examples may be for:

- customers/users: the solution to a need (benefits related to the ability of a product to solve a problem);
- employees: job creation, better working conditions, higher productivity and wages, benefits related to the policies of corporate welfare;
- the local community: better living conditions, social security, crime rate lower, creation of tangible and lasting benefits for the local community or particular groups within the community;
- the country: increase of wealth, education, health, employment, community structure and social infrastructure, improvement of the socio - cultural conditions.

Instead, some negative impact examples may affect:

- local community: gender issues, traffic congestion, social tensions due to the rapid population growth of the cities and communities;
- environment: pollution, resource consumption and production and management of waste, depletion of the ozone layer, discharge of pollutants into the water.

Although the number of mainstream corporate CEOs discussing the social and environmental performance of their firms as a strategy for increasing their companies' total impact has significantly increased (Emerson, 2003), these impacts are not specific to the private sector (Clark et al. 2004). Both non-profit organizations and governments undertake actions to assess their social impact for the community. For non-profit organizations it is already more or less commonly accepted that, to fulfill their mission, they have to provide economic and non-economic benefit to the communities they serve (Weisbrod, 1988; Ben-Ner & Hoomissen, 1992). Literature from business and society studies, management accounting, strategic management, and practitioners propose several definitions of social impact (Latané, 1981; Burdge & Vanclay, 1996) or related terms such as "social value creation" (Emerson et al. 2000) and "social return" (Clark et al., 2004) (Table n. 3).

Term	Definition
Social impact (Latané, 1981)	By social impact, we mean any of the great variety of changes in physiological states and subjective feelings, motives and emotions, cognitions and beliefs, values and behaviour, that occur in an individual, human or animal, as a result of the real, implied, or imagined presence or actions of other individuals.
Social impact (Burdge & Vanclay, 1996)	By social impact we mean the consequences to human populations of any public or private actions that alter the ways in which people live, work, play, relate to one another, organize to meet their needs and generally act as a member of society. The term also includes cultural impacts involving changes to the norms, values, and beliefs that guide and rationalize their cognition of themselves and society.
Social Value (Emerson et al., 2000)	Social value is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals or society as a whole.
Impact (Clark et al., 2004)	By impact we mean the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway.

Table 3 Main definitions of social impact (Source: adapted from Maas and. Liket: (2010))

All the definitions describe in a more or less explicit way the concept of “change” because social impact expresses the change that occurred. Social impact definitions are based on the Theory of Change framework (Weiss, 1972; Anderson, 2004): the change that an organization can produce in people’s way of life, their culture, their personal and property rights, their fears and aspirations, but also about community, political systems, environment, health and wellbeing. The Theory of Change describes the casual linkages through which the activities carried out by the organization will lead to the ultimate desired outcomes.

The tool that the theory suggests to use is the Impact Value Chain for measuring impacts (Clark et al, 2004; Olsen and Galimidi, 2008) (Figure n. 1). By applying steps of the Impact Value Chain, organizations and stakeholders can better understand the processes of change and maximize their outcomes. The Impact Value Chain has become a popular starting point to define and measure social impact as it clearly gives a framework to collect information and set out the differences between inputs, outputs, outcome and social impacts.

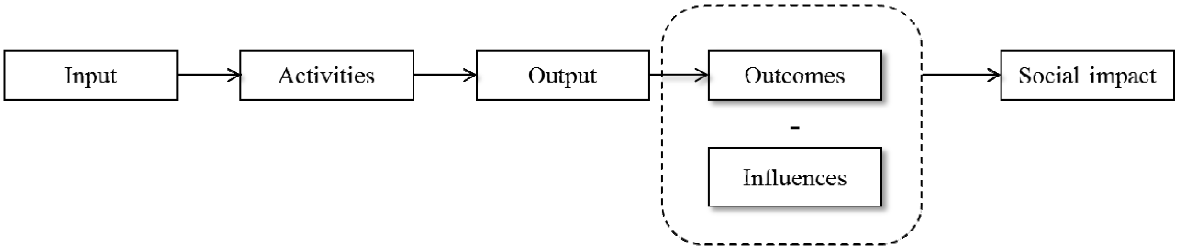

Figure 1 Impact value chain (source: adapted from Clark et al. 2004)

Inputs are all the resources whether capital or human, invested in the activities of the organization in order to achieve the mission. These inputs are used in concrete actions, tasks and work activities that will lead to certain outputs. Outputs are the "*quantitative summary of an activity*" (Nicholls et al. 2009). Outcomes are, unlike inputs and outputs, much more comprehensive and are translated to the extent that organizational goals are achieved. Outcomes are those benefits or changes for individuals or communities after participating in or being influenced by the activities of the organization. The risk of over-estimating results of the activity performed is reduced by calculating impact. In fact, the calculation of impact considers three influences:

- Deadweight accounts for outcomes that would have happened even if the activity had not taken place;
- Attribution accounts the amount of outcome caused by the contribution of other organizations and activities;
- Displacement represents the social costs, that is, the implication that negative impacts can have in the community. (Nicholls et al, 2009).

Social Impacts are those outcomes minus influences. It is important to note that impacts include both planned and unplanned effects, negative as well as positive effects and both long term and short term effects (Rossi & Freeman, 1993, Wainwright 2002) (Figure n. 2).

Inputs: all resources, provided to a programme or organization.

Activities: concrete actions and programmes carried out by the organization to create its outputs and achieve its objectives.

Outputs: the direct and immediate consequences of the undertaken activities

Outcomes: changes, benefits, learnings or other effects (both long and short term) that result from the organization's activities.

Influences: what would have happened even if the activity had not been undertaken

Social Impact: attribution of an organization's activities to broader and longer-term outcomes.

Figure 2 Elements of Impact value chain (source: adapted from Nicholls et all, 2009)

2.2 Measuring social impact in Ethical Banks: methods and tools

The objective of social impact measurement is to understand, in social, environmental and economic terms, the change that has occurred and what difference the organization's activities make to the stakeholders' lives, in order to communicate it (New Economics Foundation, 2009).

Over the last two decades, literature research, internet search and expert information have resulted in a list of several impact measurement methods (e.g. Schaltegger et al, 2002; Scholten, 2003; Clark et al, 2004; Epstein, 2008, Maas and Liket, 2010).

Among this variety of qualitative and quantitative methodologies (Nicholls, 2005) the most commonly used, going from the structured approach as to what is merely a collection of a set of indicators, are the following (Table 4):

- the Social Return on Investment (SROI)[4] which is actually the most complete and structured quantitative methodology applicable to all contexts, profit, non-profit, and public organisations (Emerson, 2003);
- The B Impact Assessment (BIA)[5] is a tool for rating the social and environmental impact of individual companies, as well as the aggregated impact of investment funds through the impact ratings of their underlying portfolio companies;
- the Impact Reporting and Investment Standards (IRIS)[6] is a usually defined list of metrics, tracking and reporting the social, environmental and financial capital performance, and commonly used for impact investing;
- Storytelling is a classical narrative way describing change and demonstrating social impact.

Quantitative	Qualitative
Social Return on Investment	Storytelling
The B Impact Assessment	
Impact Reporting and Investment Standards	

Table 4 Selected qualitative and quantitative methodologies (source: self-elaboration)

In the following section the most used impact methodologies are presented.

Quantitative methods

Social Return On Investment, SROI

The most developed methodology following the Impact Value Chain approach is the Social Return On Investment (SROI), a method that incorporates social and financial values, monetizes non-monetary values and quantifies social and environmental values. SROI focuses on the change that stakeholders are experiencing and is closely linked with both cost-benefit analysis and social accounting (Nicholls et al, 2009). SROI is an outcomes-based measurement tool (Nicholls et al, 2009) for the assessment of social and financial impact (Lingane and Olsen, 2004). The core feature of the method is that it analyses the social impact "[…] in dollar terms, relative to the investment required to create that impact and exclusive of its financial return to investors" (Lingane

[4] http://www.thesroinetwork.org/
[5] http://bimpactassessment.net/
[6] http://iris.thegiin.org

and Olsen, 2004). SROI uses the “impact map” format (Figure n. 3) that follows the Impact Value Chain approach adding the “strong” importance placed on stakeholders' involvement, with the aim to identify impacts and financial 'proxy' values on all the outcomes that do not typically have market values.

Figure 3 The impact map (source: adapted from Lingane and Olsen, 2004)

The SROI methodology right through stakeholders’ involvement wants to provide both a 'story' (that explains how value was created) and a 'number' (that demonstrates how much value was created). As any framework or tool for evaluation and impact assessment, SROI has its limitations. The first ones concern the challenge of quantifying the value of benefits, since some outcomes and impacts are not easily associated to direct costs; and so it becomes difficult to attribute a financial value or reasonable proxies. The second criticality concerns the fact that carrying out a comprehensive analysis requires a considerable involvement of resources in terms of costs of training and labour (Leighton and Wood, 2010). In larger organizations it may be applicable but in smaller ones, this may be more difficult to do.

B Corp certification and Global Impact Investing Rating System (GIIRS)

The B Impact Assessment (BIA) is a tool administered by the American non-profit independent organization, B Lab, for rating the social and environmental impact of individual companies, as well as the aggregated impact of investment funds through the impact ratings of their underlying portfolio companies. It does this by measuring the impact of a business on all stakeholders. Companies and funds that use the BIA can be recognized for their performance by electing to become a certified B Corporation or Global Impact Investment Rating System (GIIRS) rated but its scope is limited to companies. Some foundations, such as the Rockefeller Foundation, have used GIIRS as a way to evaluate their programme related investments.

But this approach is limited where GIIRS is not designed to rate charities or non-profits; it is used by investors to evaluate the impact of their investments in for-profit companies and GIIRS Ratings are designed to be used with investors only and not with other company's stakeholders (consumers, policymakers, suppliers, etc.).

The Impact Reporting and Investment Standards (IRIS)

The Impact Reporting and Investment Standards (IRIS) was launched in 2008 by Acumen Fund, B Lab, and the Rockefeller Foundation, and is now managed by the Global Impact Investing Network (GIIN). It is a list of generally accepted metrics used to define, track and report the social, environmental and financial performance of organizations. It provides a set of standardized metrics organized in five categories (Figure n. 5). By standardizing the way organizations define indicators, and surfacing which indicators are commonly reported in particular sectors, IRIS enables increased comparability and consistency in the reporting and analysis of impact performance data. Organizations can adopt IRIS by selecting a set of IRIS indicators that are applicable to their work, but the involvement of the stakeholder is not required

IRIS indicators are organized in the following broad categories::

- **Organization Description** - metrics focusing on the organization’s mission, operational model, and location.
- **Product Description** - metrics describing the organization’s products and services and target markets.
- **Financial Performance** - commonly reported financial metrics.
- **Operational Impact** - metrics describing the organization’s policies, employees, and environmental performance.

Figure 4 IRIS metrics categories (source: self-elaboration)

Qualitative method

Storytelling

Storytelling is an example of narrative communication used to demonstrate social impact. The storytelling method is as old as time itself and is used in the non-profit sector as a way of attracting funders and (Merchant, Ford and Sargeant, 2010) in marketing for consumer goods (Woodside, Sood and Miller, 2008). In general, storytelling shows the project purpose and idea, perhaps some information on values, and it is used as a communication tool. Therefore, it gives an idea of the impact that the project should create, but it is still not possible to verify and measure it. On the other hand, storytelling is a good proof of the organization’s transparency, which is one of its purposes. Storytelling connects emotionally depositors to the projects, because people more easily follow a narrative approach. Just because there are as yet no commonly accepted social equivalent to standard financial accounting does not mean there is less value, nor does it justify lack of measurement, but, arguments of intended impact that can be the object of storytelling need verification. It is not possible to verify and measure the vision of the object of storytelling and from a practical point of view it might be impossible to collect stories for all the projects and activities carried out. On this point, Jed Emerson (2003, 25) argues that *"[...] they justify their efforts on the basis of perceived social intent – thereby confusing programmatic intent with documented social impact."*

The following table (Table 5) summarizes the main characteristics of the methods described.

Methodology	**Description**	**Advantages**	**Weakness**
SROI	A consistent approach with standard steps to report on social value measuring	• Involves stakeholders • Presents the outcome in money terms • Rigorous and technical	• Monetisation of indicators which are not of monetary 'value' • Considerable resources to be implemented
SIA	A tool to assess a company's overall social and environmental performance.	• Used by foundations and investors • Can be certified by third party	• Limited scope: for-profit companies
IRIS	A set of metrics with standard definitions (organization's social, environmental, and financial performance)	• Standardized commonly-accepted metrics • Benchmarking	• Do not foster continuous improvements • Do not require the stakeholders involvement
Storytelling	Narrative communication used to demonstrate social impact Shows the purpose and idea of the project, the theory of change and perhaps some information on values	• Most common and simple method used in the non-profit sector as a way of attracting funders and in marketing for consumer goods • Connects emotionally depositors to the projects, because people more easily follow a narrative approach	• It gives an idea of the impact that the project should create, but it is not possible to verify and measure it • Impossible to collect for all the activities

Table 5 Social Impact measurements selected methodologies - main characteristics (source: self-elaboration)

2.3 Measuring social impact in ethical banks

Ethical banks' mission statements focus on providing impact to society and the environment. The question is how these outcomes can be communicated to stakeholders. Ethical banks are subjected to auditing and reporting rules just as conventional banks and publish annual reports and financial statements accordingly. These reports capture their performance, but not the essence of their "ethical banking" activities.

Impact measurement can be a tool that validates outcomes achievement for ethical banks that "know" they have a social impact, but they also have to prove it. Measurement provides accountability to depositors who choose ethical finance because they perceive such banks to be more ethical (Becchetti, 2011). It also provides accountability to investors and owners, showing the impact that takes place because of the projects funded. Social Impact measurement is, also, a way for management to show all the stakeholders that the goals have been fulfilled, which improves banks' credibility, attracting new customers and investors. If social banks are innovators, leading the way in, for example, addressing social or environmental issues, then the ability to measure impact is important in informing future public policy.

Speaking about measuring the social impact of ethical banks means considering direct and indirect social and environmental impacts linked to the banking activities (collecting, lending, investing, shareholders and customer relationship and HR management).

The first chapter shows the differences between ethical and traditional banks by bank activity. From these, it is possible to identify some ethical bank activities that could be the subject of social impact measurement (figure n. 5).

Ethical banks

- ✓ Wider, total return to the bank's community in addition to financial sustainability
- ✓ Seek to offer a fair rate of return for everyone
- ✓ Work with their stakeholders to promote transparency in where they work and invest

Lending and investing

- ✓ Use only customer funds and own capital to finance loan book
- ✓ Value customers as long term relationships, often as partners

Collecting

- ✓ While the bank makes its own credit decisions through dialogue it offers stakeholders broader levels of engagement, therefore allowing a better understanding of needs
- ✓ Solidarity in day to day management and treatment of co-workers leads to more holistic approaches and firm ties

Shareholder and employees

Figure n. 5: ethical banks characteristics and activities with social impact (source: self-elaboration)

Both in literature and practice, social impact measurement is largely focused on impacts resulting from lending. This is unsurprising given the mission focus of ethical banks on lending the deposited money to projects with a social and/or environmental profile. There are several examples of measuring the social and environmental impact of loan projects. For example, some attempts are been developed through networks and other organizations for information exchange (Bonini and Emerson, 2005):

1. The Institute for Social Banking in 2012 through two cases studying (Charity Bank and Triodos Bank) has given an overview of what are the main challenges of measuring the social impact of ethical banks;
2. Global Alliance for Banking on Values in 2012, conducted a study in collaboration with the Artevelde University to examine the financial capital dynamics and impact metrics systems of sustainable banks;
3. The Group of Experts of the European Commission on social entrepreneurship in 2014 developed a methodology to measure the socio-economic benefits created by social enterprises with the aim to establish an approach to measurement of social impact that will

support the development of practice for social enterprises, funders, fund managers and other stakeholders under the programmes of the European Commission;

4. Triodos Investment Management (a subsidiary of Triodos Bank) in 2011 used IRIS metrics to measure, track and report social and environmental performance of managed funds in Europe and emerging markets in a variety of areas including: climate and energy, micro-finance, sustainable trade, organic food and agriculture, arts and culture, sustainable real estate, and a list of companies with environmental performance, social and governance issues;
5. Ekobanken in Sweden (2011), Merkur Bank in Denmark (2012) and GLS Bank in Germany (2012) used the storytelling approach communicating goal attainment through telling a story about certain loan projects;
6. Banca Etica, in 2014 to mark its first 15 years of activity, conducted research to measure the social impact achieved through loans, combining quantitative and qualitative methods of impact measurement.

With regard to collecting (deposit taking) activities in ethical banks, depositors can be comparable to responsible consumers, since "*they are ready to forgo a significant part of financial return as far as ethical banks fund motivated borrowers, i.e. borrowers aiming at financing a pro-social business project.*" (Cornée and Szafarz, 2013: p. 8). The extent to which depositors are willing to forgo part of their financial return is still open to debate. Therefore one of the main goals of an ethical bank is to attract an increasing number of socially-conscious individuals, by creating a virtuous cycle where money collected is invested in ethical projects. Ethical banks could reach this objective by stressing their values of transparency about the conditions and use of the funds. Social impact measurement literature has not yet properly explored this area and so far there are still no practical examples of social impacts for depositors. This is because the collecting activities are seen in the social impact measurement methodologies only as input element: as money that is collected and invested by the banks to implement activities that have a good social impact. The few existing studies mainly focus on motivations for choosing to become a social minded investor. For example, in line with Akerlof and Kranton's (2000) theory Cornée and Szafarz (2013) suggest that the reasons why social minded investors put their money in ethical banks are because of receiving an extra stream of utility and reinforcing their pro-social identity. Becchetti and Garcia (2011), measured the intensity of the investors' social motivation at Banca Etica, by considering the spread between the interest paid to them by an ethical bank and by a comparable mainstream bank (at around 150 basis points in 2007). In 2013 Charity Bank published a research with the aim of showing itself as "*the UK's most admired bank*" by helping its borrowers achieve greater positive social impacts by using the deposits of its socially-conscious savers who seek a good social return on their investments as well as a financial one. But motivations, reasons why people choose to be involved in ethical banks' activities are different from the effects that these activities cause, their impact, the changes occurred.

The particular approach of ethical banks is reflected also in human resources management and the shareholders and customer engagement. In particular, as figure n. 5 shows, ethical banks are characterized by a high level of stakeholder involvement; for example shareholders' voting right at Alternative Bank Schweiz, and Banca Etica, but also the participation of non-shareholders in governing and executive bodies (Cornée and Szafarz, 2013). Literature on these topics is still scarce. One contribution is offered by Cornée et al. (2012) who show that bankers in ethical banks exhibit higher social preferences than their counterparts working in mainstream banks. For these reasons the social impact metrics of these activities can be only presented as assumptions.

3.1 Social Impact measurement indicators

The purpose of social impact indicators is to evidence the outcomes achieved by the organization, as a result of its activities. The best way to define social impact is to collect indicators referring to the theory of change of the organization: by looking at how the lives of the people change. These indicators should outline the outcomes and the corresponding changes that the ethical bank is aiming to achieve through its core and support activities.

In the case of ethical banking, for a long time, it has been enough to present exemplary cases for supporting the idea of social value creation. However, the growth of the number of clients and increasing stakeholder involvement have also raised a critical question to verify the impact in a more tangible way. **So far, no rigorous method for measuring the social impact of an ethical bank's total activities has been developed**. However, there are social impact indicators with similar objectives, so throughout this chapter some of them will be analyzed to discover to what extent they can be used.

Through the literature review, different criteria were applied to select a set of indicators. In particular, the study by the European Venture Philanthropy Association, EVPA, "A Practical Guide to Impact Measurement" (2013) raised a broad consensus for following a process to select outcome indicators. The choice of a good indicator should consider four aspects:

- The indicator should generally be aligned with the mission of the organization, although if a potential unintended outcome has been identified, relevant indicators for this outcome may not be aligned with the purpose of the organization;
- it should be "SMART" (see figure 6), acronym of Specific, Measurable, Achievable, Relevant and Time scaled (Dorian, 1981);
- it should be clearly defined so it can be reliably measured and ideally comparable with those used by others, and
- it is advisable to use more than one indicator, with preference for two or three.

Specific: The indicator is clearly written and related to meet the outcome.

Measurable: The indicator covers at least one measure of a quality metric, quantity, time and/or cost-effectiveness.

Attainable: The indicator is appropriate considering the resources (time, human, capital, technology) it has at its disposal.

Relevant: The indicator is pertinent to the objective of the aim of measurement and the context in which the activities take place. The indicator addresses major issues, measures something that people care about, be culturally relevant, and should be linked to desired outcomes.

Time-bound: Data are available at reasonable cost and effort.

Figure 6 SMART Criteria (source: self-elaboration of Dorian, 1981)

The literature on social impact indicators distinguishes between indicators identified by experts, (i.e., a top down approach), and the ones identified by community members (i.e., a bottom up approach). This distinction can also be described as outsider expertise vs. insider expertise. This study overcomes this distinction with a hybrid approach to indicator selection, whereby researchers identify general categories of indicators that are important for social impact measurement in ethical banks. According to these criteria, the review examines the business cases of ethical banks from both the academic and practitioner literature and develops lists of indicators that would contribute to the development of metrics and methodologies for ethical banks' activities.

Due to the broad literature and practices on social impact measurement about the lending projects, the review specifically focuses on this area, then offers some assumptions about social impact matrix for other areas.

Eight matrices are provided (using the framework presented in table 6) with the aim of documenting the relevant outcomes and indicators that are currently being measured by academics and practitioners working in the field of ethical finance:

- one collects indicators applicable to all organizations, across all sectors;
- seven matrices examine particular core issue areas or domain of intervention (Arts and Culture, Environment, Training and Job creation, Social and Health care, Microcredit and Social Housing; Sustainable agriculture) (figure 7).

OUTCOME				INDICATOR			
Domain	Category	Type	Name	Description	Quantitative/ Narrative	Unit of measure	References

Table 6 Matrix of social impact indicators (source self-elaboration)

Outcomes are catalogued depending on:

- Domain: whole organization or single sector of investment;
- Category: Internal impact/Staffing (benefits that are realized within the organizational structure of the bank's client), User/Customer Impact (indicators that measure social change generated by the activities of the founded organizations on their customers), Collective (the macro-indicators, which cover the actions that benefit the community and the region) ;
- Type: Economic, Social, Environmental;
- Name: brief description of the outcome.

For each indicator a set of information is provided:

- Description: indicator brief explanation;
- Quantitative or Narrative: data required are numerical or narrative text;
- Units of measure: data are presented as numbers, indices of increase or decrease, averages, monetary values, percentages;
- Source of indicator: related source of information or calculation.

The following table presents a short description of the common sectors and goals of investment of ethical banks.

Training and job creation

To increase sustainable employment and self-sufficiency by providing professional development, job training, and access to employment.

Micro-finance, entrepreneurial microfinance

To provide programmes to assist startups and business entrepreneurs, to help enhance economic development.

Social housing

To improve the quality of life of families and communities by helping to develop, produce and manage low-cost affordable housing in safe neighbourhoods including rental units and home ownership programmes.

Arts and culture

To provide either communal or specific performing arts programmes in music, theatre, dance and sport.

Social and health care

To help individuals with health issues and their families cope with day-to-day life and manage when crisis hits in residential, rather than hospital, settings.

Environment

To make more efficient energy generation, energy consumption, energy savings and new renewable energy innovations; construction and renovation of buildings with an environmental purpose; provide and encourage the use of sustainable transport alternatives (e.g. electric vehicle, car pool); recycling of general waste; consumption of materials; production and treatment of harmful waste, water use and efficiency; wastewater treatment.

Sustainable agriculture

To produce safe, high quality agricultural products, in a way that protects and improves the natural environment, the social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species.

Figure 7 Principal area or domain of funding of ethical banks (source: self-elaboration)

The key sources of data are drawn from both the framework of outcomes proposal and outcome indicators, selected from the literature according to the relevant and practical application to the subject (The Urban Institute - The Center for What Works, Diaconia-FRIF Foundation, New Philanthropy Capital (NPC), the SROI Network and Investing for Good, The National Community Investment Fund (NCIF), Impact Reporting and Investment Standards (IRIS); Sustainable Food Trade Association (SFTA); The Finance Alliance for Sustainable Trade (FAST)) and case studies, reports and applied researches (Banca Etica, Microbank, Fonds Européen de Financement Solidaire (FEFISOL), France Active, BRAC Bank). All literature can be found in the References at the end of the document.

So, ethical banks can understand each indicator’s characteristics in terms of its outcome, objective, complexity and possible implementation.

In the following sections the single matrices that result from the study are proposed.

Impact matrix – Organization

The first matrix collects impact indicators that can be applied to any type of organization funded. These indicators are not closely tied to a particular activity funded but are applicable across the board.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References*
Organization	Internal impact/ Staffing	Social	EMPLOYEE BRANDING	Employees declaring to feel more motivated	Quantitative	%	Banca Etica
			EMPLOYEES CAPACITY ENHANCEMENT	Employees declaring to have acquired more skills	Quantitative	%	Banca Etica
			BOARD AND STAFF DIVERSITY	Women employees	Quantitative	%	D-FRI, SRS, NCIF
				Disabled employees	Quantitative	%	D-FRI, SRS, NCIF
				Minorities employees	Quantitative	%	D-FRI, SRS, NCIF
			QUALITY OF EMPLOYMENT	Workers hired at full time	Quantitative	%	D-FRI, SRS, NCIF
			JOB CREATION	Net Employment Generation = Total Labour Days from new jobs + change in Labour Days from old employees + difference in Labour Days between the replacements and the replaced	Quantitative	Number/ Rate	Brac Bank, France Active Report
			QUALITY OF STAFF TRAINING	Staff training satisfaction rates	Quantitative	Number/ Rate	D-FRIF, SRS

OUTCOME				INDICATOR			
		Economic	ATTRACT NEW CUSTOMERS	New clients on existing clients portfolio	Quantitative	%	The Urban Institute - The Center for What Works
			EFFICIENCY IN EMPLOYEE RETENTION	Employees leaving	Quantitative	%	D-FRIF
			STAFF TRAINING	Income employed in training of personnel	Quantitative	Euros	D-FRIF, SRS
		Environmental	REDUCTION OF POLLUTION	Employees using sustainable transport (walking, cycling, using public transport and trains) related reduction in CO2 emissions	Quantitative	%	D-FRIF
	User/ Customer Impact	Social	NETWORKING	Clients declaring that it had increased the number of their contacts	Quantitative	%	Banca Etica
			EFFECTIVENESS OF COMMUNICATIONS DURING THE LOAN	Clients declaring to have good communications with the bank staff during the loan	Quantitative	%	Banca Etica
			SUPPORT AND TECHNICAL ASSISTANCE DURING THE FUNDING	Clients declaring that the support work of the entity processing the loan was adequate or insufficient	Quantitative	%	Banca Etica, D-FRIF, The Urban Institute - The Center for What Works
			ADEQUATE TIMING GIVEN FOR THE EVALUATION OF THE LOAN	Clients declaring to be satisfied with loan access procedure, disbursement procedure time	Quantitative	%	Banca Etica, D-FRIF

OUTCOME			INDICATOR			
		QUALITY OF THE RELATION WITH CLIENTS (AVAILABILITY OF REFERENCES, EXHAUSTIVENESS OF RESPONSES)	Clients declaring to be satisfied with the relation with loan officers	Quantitative	%	Banca Etica, D-FRI, The Urban Institute - The Center for What Works
		OUTREACH	Active clients women	Quantitative	%	D-FRI, France Active Report
			Active clients disabled	Quantitative	%	D-FRI, France Active Report
			Active clients minorities	Quantitative	%	D-FRI, France Active Report
	Economic	THE CRITICALITY OF THE LOAN	Clients declaring that the activity would not happened without the loan	Quantitative	%	Banca Etica
		INNOVATIVE PRODUCTS	Kind of innovative products: mobile banking; check cashing; microcredit; deposit secured loan; prepaid cards; etc.	Narrative	—	NCIF
		PROFILE OF CLIENTS SERVED/CREDIT ACCESS	Clients that have previously applied for a loan in a bank and have been refused	Quantitative	%	Banca Etica and Microbank, Brac Bank
		COST SAVING	Clients declaring that experienced cost saving	Quantitative	%	Banca Etica, NCIF

OUTCOME				INDICATOR			
			SATISFACTION OF NEEDS: CORRESPONDENCE BETWEEN THE AMOUNT REQUESTED AND THE VALUE GRANTED	Clients declaring to be satisfied with correspondence between the amount requested and the value granted	Quantitative	%	Banca Etica, D-FRIF
			SATISFACTION OF NEEDS: PAYMENT CONDITIONS	Clients satisfied with the payment mode	Quantitative	%	D-FRIF
			CHANGES INCLIENTS LIFE: IMPROVEMENT IN INCOME	Clients that increased the amount of income from sales in the economic activities financed	Quantitative	%	D-FRIF
			CHANGES IN CLIENTS LIVES: IMPROVEMENT IN EMPLOYMENT	Clients that have increased the number of employees in the economic activities financed	Quantitative	%	D-FRIF
	Collective impact	Social	PHILANTHROPY TOWARDS SOCIAL PROJECTS	Income/annual profit contributed to social projects	Quantitative	Euros	D-FRIF
		Environmental	RESOURCES EFFICIENCY	Amount of reduction in the consumption of water	Quantitative	Number	Banca Etica
				Amount of reduction in the consumption of paper	Quantitative	Number	Banca Etica
				Amount of reduction in the consumption of electricity	Quantitative	Number	Banca Etica
			ENERGY EFFICIENCY	Amount (proportion) of renewable energy used	Quantitative	Number	NPC
				Amount (proportion) of energy saved through efficiency improvements	Quantitative	%	NPC

OUTCOME		INDICATOR			
	REDUCTION OF WASTE AND RECYCLING	Percent of waste recycled, re-used and donated (tones)	Quantitative	Tones	NPC, SRS, Banca Etica

Table 7 Outcomes and Indicators to measure the impact inside the organization

Impact matrix – Green Investments

Ethical banks finance households, businesses and organizations who want to invest in more energy efficient projects, first of all reducing their consumption and then using energy from renewable sources. The projects funded are in particular linked to the renovation of buildings aimed at energy conservation; the installation of photovoltaic panels and wind turbines. The following matrix collects social impact indicators applicable to organizations operating in this sector.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References*
Green investments	Internal impact/ Staffing	Environmental	ENERGY EFFICIENCY	Renewable energy used	Quantitative	Rate	NPC
			RESOURCES EFFICIENCY	Reduction of water consumed and recycle	Quantitative	M^3	NPC
		Economic	ENERGY EFFICIENCY	Amount of energy saved through efficiency improvements	Quantitative	Mwh	NPC
	Collective impact	Environmental	PRODUCTION OF RENEWABLE ENERGY	Mwh of renewable energy generated	Quantitative	Mwh	NPC
			ENERGY EFFICIENCY	Local policies and initiatives introduced to improve energy efficiency	Narrative	Narrative	NPC
			RESOURCES EFFICIENCY AND POLLUTION	Reduction in CO2 emissions tons	Quantitative	Tons	NPC, Banca Etica
				Achievement of Certified Emissions Reductions (CERs)	Narrative	Narrative	NPC
			HARMFUL WASTE, POLLUTION	Volume and type of hazardous waste, spills (prevention) initiatives on mitigation volume of harmful waste responsibly disposed of (remediation of environmental damage from pollution)	Quantitative	Tons	NPC, SRS

OUTCOME			INDICATOR			
		EMISSIONS AND POLLUTION	Reduction of Greenhouse gas emissions, mass and type toxic and chemical emissions to water, soil; impact on locality (measures of local pollution levels and consequences)	Quantitative	%	SRS
		WATER USE AND EFFICIENCY	Volume of water consumed, recycled and use of rainwater	Quantitative	M^3	NPC
		EMISSIONS AND POLLUTION	Value of reduction in CO2 emissions (Social Cost of Carbon)	Quantitative	Euros	NPC, Banca Etica
	Economic	RESOURCES EFFICIENCY AND POLLUTION	Sale of Certified Emissions Reductions (CERs)	Quantitative	Euros	NPC
		EMISSIONS AND POLLUTION	Value of reduction in CO2 emissions (Social Cost of Carbon)	Quantitative	Euros	NPC, Banca Etica

Table 8 Outcomes and Indicators to value the impact of investments in the Environment

Impact matrix – Education and Job Training investments

With regard to education projects and job placement, ethical banks work with organizations that operate against social and economic exclusion, for example, through educational programmes, social and occupational reintegration of disadvantaged individuals, tutoring and mentoring, training and work experience as operators for social projects.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References*
Education and Job Training investments	User/ Customer Impact	Social	INCREASED GRADUATION RATE	Participants who completed the programme or gain at least one educational level	Quantitative	%	The Urban Institute - The Center for What Works
			INCREASED PARENTAL INVOLVEMENT IN CHILDREN'S EDUCATION	Adult participants who regularly help children with their school work	Quantitative	%	The Urban Institute - The Center for What Works
			CLIENT EDUCATION IMPROVEMENT OR GAIN	Educational levels advanced per programme participant	Quantitative	Number	The Urban Institute - The Center for What Works
			INCREASED INCIDENCE OF DESIRABLE ACTIVITY OR CONDITION	Programme participants who enroll in postsecondary education or occupational skills training programme	Quantitative	%	The Urban Institute - The Center for What Works
			BUILD SKILLS/ KNOWLEDGE	Clients passing job skill competency exams on initial attempt after completing course	Quantitative	%	The Urban Institute - The Center for What Works
			COUNSELING/ COACHING	Supplemental support hours utilized per client (on coaching, counseling)	Quantitative	%	The Urban Institute - The Center for What Works

OUTCOME			INDICATOR			
		INCREASED EMPLOYMENT	Job interviews per client	Quantitative	Rate	The Urban Institute - The Center for What Works
			Job offers per client within the first 3 months of programme completion	Quantitative	Rate	The Urban Institute - The Center for What Works
		INCREASED PARTNERSHIP FOR EMPLOYMENT	Employer partners offering jobs to clients	Quantitative	%	The Urban Institute - The Center for What Works
		REINTEGRATION INTO THE COMMUNITY	Users feeling integrated into the community after the education programme	Quantitative	%	France Active
		CLIENT SATISFACTION	Clients reporting being satisfied with the services of training courses	Quantitative	%	The Urban Institute - The Center for What Works
			Clients attributing the training to their ability to find work	Quantitative	%	The Urban Institute - The Center for What Works
	Economic	CREATE JOBS/EMPLOYMENT OPPORTUNITIES	Programme participants who remain employed 6 months after programme completion	Quantitative	%	The Urban Institute - The Center for What Works
		INDIVIDUAL ECONOMIC EMPOWERMENT	Earnings average hourly wage of clients who became employed after training	Quantitative	Euros	The Urban Institute - The Center for What Works

OUTCOME				INDICATOR			
			INCREASED SELF-SUFFICIENCY	Clients who attain economic stability within 12 months	Quantitative	%	The Urban Institute - The Center for What Works
	Collective impact	Economic	REDUCTION IN PUBLIC ASSISTANCE	Cost saving linked to the reduction of charitable dispensation of goods, especially money, food, or clothing.	Quantitative	Euros	The Urban Institute - The Center for What Works

Table 9 Outcomes and Indicators to value the impact of investments in Education and Job training

Impact matrix – Microfinance investments

Microfinance sector provides funds to sustainable organizations and usually underserved client groups in order to stimulate local entrepreneurship. The following matrix presents the social impact indicator typical of these kind of investments.

OUTCOME			**INDICATOR**				
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Qualitative*	*Unit of measure*	*References*
Microfinance investments	User/ Customer Impact	Social	INCREASE OF INTEGRATION	Clients that attributed increased integration into the community since their business opened	Quantitative	%	Microbank
			INCREASE OF CAPABILITY	Clients that feel more or less capable and prepared to face the future now than before the microcredit was granted	Quantitative	%	Microbank
			PERSONAL EMPOWERMENT	Clients saying that their quality of life after the loan has improved	Quantitative	%	Microbank
		Economic	CLIENTS BEGIN NEW BUSINESS	Clients who began a business within 12 months after the assistance and reported that the assistance was a contributing factor	Quantitative	%	The Urban Institute - The Center for What Works, Fefisol
			CLIENTS EXPAND BUSINESS	Clients that expand existing business within 12 months after the assistance	Quantitative	%	The Urban Institute - The Center for What Works, Fefisol
			ENHANCED PERSISTENCE	Programme participants still in business after 2 years businesses start	Quantitative	%	The Urban Institute - The Center for What Works

OUTCOME		INDICATOR			
	INCREASED SUCCESS OF EXISTING BUSINESS	Clients that made a positive change in their business	Quantitative	%	The Urban Institute - The Center for What Works
	INDIRECT JOB CREATION	Additional fulltime employees businesses employed by the client organizations for which the assistance played a significant role in the increase	Quantitative	%	The Urban Institute - The Center for What Works, Brac Bank
	INCREASED SUCCESS OF EXISTING BUSINESS	Clients that attributed solving of a significant operational problem to program assistance within 12 months after the assistance	Quantitative	%	The Urban Institute - The Center for What Works
		Clients that increased sales revenue/profits thanks to program assistance	Quantitative	%	The Urban Institute - The Center for What Works
	INCREASE IN VALUE OF ENTERPRISES	Value of the businesses (the amount for which the entrepreneur can sell the business, compared to pre-loan period)	Quantitative	Euros	Brac Bank
	JOB CREATION	Employees compared to pre-loan period	Quantitative	%	Brac Bank
	INDIRECT JOB CREATION	Entrepreneurs that after closing their business saying their experience helped them to find a new job	Quantitative	%	Microbank
	PERSONAL EMPOWERMENT	Clients declaring they have increased their income	Quantitative	%	Microbank

Table 10 Outcomes and Indicators to value the impact of investments in Microfinance

Impact matrix – Social Housing investments

Housing is the need for safe, stable and appropriate accommodation that individuals have a right to inhabit. In this matrix are collected social impact indicators referred to organizations that operate in accommodation services providing care or residential homes for people with higher support needs (people with disabilities or who are elderly), to live independently into their own homes.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References*
Social Housing Investments	Internal Impact Staffing	Social	INCREASED HOUSING APPLICATIONS RECEIVED FROM TARGET POPULATION	Applications for housing received from targeted population	Quantitative	%	The Urban Institute - The Center for What Works
	User/ Customer Impact	Social	INCREASED LONG-TERM HOUSING OPPORTUNITIES	Turnover of residents	Quantitative	%	The Urban Institute - The Center for What Works
			IMPROVED QUALITY OF LIFE FOR USERS	People moving into safe permanent housing	Quantitative	%	NCP
			INCREASED HOUSING OPPORTUNITIES FOR LOW-INCOME FAMILIES	Homebuyers/tenants with low incomes/receiving housing subsidies	Quantitative	%	The Urban Institute - The Center for What Works
				Homebuyers/tenants in minority racial groups	Quantitative	%	The Urban Institute - The Center for What Works
				Homebuyers/tenants in minority ethnic groups	Quantitative	%	The Urban Institute - The Center for What Works

OUTCOME				INDICATOR			
				Homebuyers/tenants in disability groups	Quantitative	%	The Urban Institute - The Center for What Works
				Low income families housed in affordable, well-maintained units	Quantitative	%	The Urban Institute - The Center for What Works
		Economic	IMPROVEMENT OF ECONOMIC CAPACITY NEEDED TO MAINTAIN A HOME	Ratio of house price to income	Quantitative	Euros	NCP
	Collective	Social	INCREASED NEIGHBORHOOD SUPPORT FOR AFFORDABLE HOUSING	Favorable policy measures passed	Narrative	___	The Urban Institute - The Center for What Works
				Community residents/business in the area reporting a positive image towards the housing complex	Quantitative	%	The Urban Institute - The Center for What Works
			INCREASED RESIDENT SAFETY	Crimes in the housing neighborhood	Quantitative	%	The Urban Institute - The Center for What Works
				Homeowners/tenants rating their feeling of safety in and around their homes as satisfactory	Quantitative	%	The Urban Institute - The Center for What Works

OUTCOME			INDICATOR			
	Economic	VALUE OF COST SAVING LINKED TO THE REDUCTION OF PROVISION OF SUPPORTING PEOPLE SERVICE	Cost saving linked to the reduction of provision of Supporting People service	Quantitative	Euros	NCP, The Urban Institute - The Center for What Works
	Environmental	CONSTRUCTION OF BUILDINGS WITH AN ENVIRONMENTAL PURPOSE	Units built to high environmental standards value and units built with environmental standards (reductions in CO2 emissions, lifetime greenhouse gas emissions)	Quantitative	Number	NCP
		RENOVATION OF BUILDINGS WITH AN ENVIRONMENTAL PURPOSE	Units renovated to high environmental standards value and built area of units renovated to environmental standards (reductions in CO2 emissions, lifetime greenhouse gas emissions)	Quantitative	Number	NCP

Table 11 Outcomes and Indicators to value the impact of investments in Social Housing

Impact matrix – Culture, Arts and sport Investments

Impact indicators in the next matrix are those related to projects funded within the field of art, culture and sports. This sector included projects related to the promotion of cultural, artistic, recreational and sporting activities, developed in the interests of social inclusion; accessible for all.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References/location of the data*
Culture, Arts and sports Investments	Internal Impact/ Staffing	Social	INCREASED SOCIAL BONDS IN COMMUNITY	Community organization partnerships (networks)	Quantitative	Number	The Urban Institute - The Center for What Works
			AUDIENCE SATISFACTION	Audience (by population type) reporting being very satisfied with their performing experience	Quantitative	%	The Urban Institute - The Center for What Works
			INCREASED CAPACITY OF EVENTS' ORGANIZATION	Events staged	Quantitative	%	Banca Etica, NPC, SROI
			ACHIEVE EXTERNAL RECOGNITION	Favorable critic reviews/awards given by the media (or peers)	Quantitative	%	The Urban Institute - The Center for What Works
		Economic	INCREASED ATTENDANCE	Facility capacity filled per performance	Quantitative	%	The Urban Institute - The Center for What Works
				Subscriptions (seasonal, series, or annual)	Quantitative	Number	The Urban Institute - The Center for What Works
				Renewed subscription as a percent of total sales	Quantitative	Euros	The Urban Institute - The Center for What Works

OUTCOME			INDICATOR			
		AUDIENCE RETENTION AND FUNDRAISING	Subscribers who are donors	Quantitative	%	The Urban Institute - The Center for What Works
User/ Customer impact	Social	INCREASED KNOWLEDGE	Audience (by population type) who report gaining increased knowledge of local culture as a result of attendance/ program	Quantitative	%	The Urban Institute - The Center for What Works
		INCREASED APPRECIATION FOR ARTS	Audience/community residents (by population type) reporting increased appreciation of arts and sports from the programs/performances	Quantitative	%	The Urban Institute - The Center for What Works
		INCREASED APPRECIATION FOR ARTS	Audience (population type X) deciding to pursue additional arts programs after performance	Quantitative	%	The Urban Institute - The Center for What Works
		INCREASED PARTICIPATION IN ARTS AND CULTURE AMONGST YOUNG PEOPLE	Young people taking part in cultural related activities	Quantitative	Number	NPC
		INCREASED ATTENDANCE	Individuals attending cultural performances at least once per month; and/or average attendance at events (by type of event)	Quantitative	%	The Urban Institute - The Center for What Works

OUTCOME				INDICATOR			
		Economic	INCREASED ACCESS TO DIVERSE AUDIENCE	Free tickets provided	Quantitative	Euros	The Urban Institute - The Center for What Works
	Collective Impact	Social	INCREASED AWARENESS OF ARTS PROGRAMMES AND ACTIVITIES	Community aware of the particular performing cultural opportunities	Quantitative	%	The Urban Institute - The Center for What Works
			ENCOURAGING AND SUPPORTING AWARENESS AND PARTICIPATION IN LOCAL DECISION MAKING AND WIDER CIVIC AND POLITICAL ENGAGEMENT	People involved in volunteering / other civic engagement activities / decision making activities through the museum / library / archive service	Quantitative	Number	NPC
		Economic	INCREASED ACCESS TO DIVERSE AUDIENCE	Free tickets provided	Quantitative	Euros	The Urban Institute - The Center for What Works

Table 12 Outcomes and Indicators to value the impact of loans in the sector of Culture, Arts and sports

Impact matrix – Health investments

This matrix presents indicators showing the social impact of co-operatives and social enterprises dealing with health and social care services and social protection. Investments in this area may relate to the building of residential facilities for disabled or disadvantaged children; the management of day-care centers; the provision of services within the community; and in general all activities aimed at improving quality of life.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References/location of the data*
Health Investments	Internal impact/ Staffing	Social	INCREASED SOCIAL BONDS IN COMMUNITY	Community organization partnerships (networks)	Quantitative	%	Banca Etica, The Urban Institute - The Center for What Works
			IMPROVEMENT EFFECTIVE HEALTH SERVICES	Clients reporting being satisfied with the services	Quantitative	%	Banca Etica
	User/ Customer impact	Social	IMPROVED HEALTH	Clients who are healthy, or have improved health 6 or 12 months after the end of service	Quantitative	%	The Urban Institute - The Center for What Works
			INCREASED HOST CAPACITY	Hours of care	Quantitative	%	Banca Etica, NPC
				People cared	Quantitative	%	Banca Etica, NPC
	Collective impact	Economic	IMPROVED HEALTH	Cost saving linked to the reduction of provision of public health services	Quantitative	Euros	NPC, The Urban Institute - The Center for What Works

Table 13 Outcomes and Indicators to value the impact of investments in Health sector

Impact matrix – Sustainable agriculture

The following matrix collects impact indicators of investments in small-medium organizations active in sustainable agriculture and organic food production.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References*
Sustainable agriculture	Internal impact Staffing	Economic	ORGANIC SALES	Percentage of increase/decrease of organic sales since your last report	Quantitative	%	SFTA
		Environmental	ORGANIC CROPS	Total amount of crops directly managed by the company certified as organic	Quantitative	Number/ Rate	Sustainable Food Trade Association (SFTA)
			ORGANIC PRODUCTS	Total amount of products directly managed by the company certified as organic	Quantitative	Number/ Rate	SFTA
			CERTIFIED PRODUCTION	Percentage of the total production sold as certified per land/crop	Quantitative	Volume/ Number of hectares	SFTA, The Finance Alliance for Sustainable Trade (FAST)
			TECHNIQUES USED	Percentage of land using modern and sustainable cultivation techniques	Quantitative	%	SFTA, FAST
			REINVESTEMENT IN R&D	Percentage of organization's net income reinvested in R&D of agricultural innovation	Quantitative	%	FAST, IRIS
	User/Customer Impact	Social	REINVESTEMENT IN R&D	Percentage of farmers trained in agriculture innovative and sustainable techniques	Quantitative	%	FAST, IRIS

OUTCOME				INDICATOR			
		Economic	PRICE PAID TO THE FARMER	Average payment per farmer/average volume purchased per farmer	Quantitative	Euros	FAST, IRIS
			PRICE INFORMATION	Percentage of farmers of the SME/coop/enterprise with access to the price of the target crop or product	Quantitative	%	FAST
			INSURANCE	Percentage of farmers that have insurance	Quantitative	%	FAST
	Collective Impact	Environmental	LAND DIRECTLY CONTROLLED SUSTAINABLY MANAGED	Area of land directly controlled by the organization sustainably cultivated or stewardship	Quantitative	Number of hectares	IRIS
			PESTICIDE USE	Amount of hazardous pesticides used during the reporting period on land area directly controlled by the organization	Quantitative	%	IRIS, Sustainable Food Trade Association (SFTA)
			CONSERVATION OF LAND	Primary characteristics of area directly or indirectly controlled desirable to maintain or enhance through protection	Qualitative	Narrative	IRIS
			PROTECTED LAND AREA	Total number of hectares of protected lands	Quantitative	Number/ Rate	IRIS

Table 14 Outcomes and Indicators to value the impact of investments in Sustainable agriculture

Impact matrix – Collecting (deposit taking) activity (proposed indicators)

For collecting activities, social impact measurement literature has not yet properly explored this area and so far there are still no best practice studies about social impacts for depositors. In the following matrix some outcomes and indicators assumptions are proposed. The few existing studies about motivation to become a social minded investor suggest that the main outcome for customers is a cultural one: the increased awareness about their active contribution in supporting ethical finance and the growth of the real economy. For example, this could be measured through the percentage of clients who declare receiving an extra stream of utility and reinforcing their pro-social identity through giving their deposits to an ethical bank. In the same way, a second outcome could be the financial inclusion of potential customers, attracted by the way ethical banks manage the customer relationship, understand the needs and provide suitable products/services.

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References*
Collecting activity	User/ Customer	Social	INCREASING AWARENESS ABOUT THEIR ACTIVE CONTRIBUTION	Clients declare receiving an extra stream of utility and reinforcing their pro-social identity	Quantitative	%	
			INCREASE FINANCIAL LITERACY	level of financial literacy of customers (before becoming clients and afterwards), also in comparison to clients of traditional banks (we suppose that the higher transparency on products and services might foster the financial literacy of people).			

	FINANCIAL INCLUSION OF POTENTIAL CUSTOMERS	New clients declare to be attracted by the way ethical banks manage the customer relationship	Quantitative	%
		New clients declaring to have had access to banking products/services that were denied by other banks (being more "social", ethical banks may have specific products (saving accounts for instance) for non bankable people).	Quantitative	%

Table 15 Outcomes and Indicators to value the impact Collecting activity (proposed)

Impact matrix – Shareholder and employees activity (proposed indicators)

With regard to human resource management and shareholder and customer engagement, ethical banks are characterized by a high level of stakeholder involvement, and by the participation of non-shareholders in governing and executive bodies (Cornée and Szafarz (2013)). In terms of outcomes, this can increase member and client loyalty, but can also contribute to the credibility of the financial institution which in turn attracts long-term and quality employees. The leading value of transparency affects not only the customer retention, but also the employee retention. In addition, a further outcome could be a greater employee commitment, which positively affects the relationship with clients, and a growing awareness among employees of ethical issues as a result of the emotional alignment with the ethical bank's mission and values. Shareholder engagement and the relationship created with the local community in which the bank operates generate an informal but real risk mitigation process. People can access and share information easier and this actually translates into a reduction of risk and can be measured by the rate of exposure to risk or the default rate . In the following matrix the research group proposes some indicators related to the outcomes listed above .

OUTCOME				**INDICATOR**			
Domain	*Category*	*Type*	*Name*	*Description*	*Quantitative/ Narrative*	*Unit of measure*	*References*
Shareholder and employees	Internal impact/ Staffing	Social	ATTRACT QUALITY EMPLOYEES	New employees declare to have joined because they share the ethical bank's mission and values	Quantitative	%	
			EMPLOYEE RETENTION	Rate of employees turnover	Quantitative	%	
			RETENTION OF MEMBER AND CLIENTS	Clients and members reporting being satisfied with the bank involvement	Quantitative	%	

OUTCOME				INDICATOR		
		Economic	REDUCTION OF CREDIT RISK	Rate of exposure to risk	Quantitative	number
	User/Customer	Social	EMPLOYEES COMMITMENT	Employees declaring to feel more motivated	Quantitative	%
	Collective impact	Social	EMPLOYEE ETHICAL ATTITUDE	Employees involved in volunteering / other civic engagement activities / through the bank service	Quantitative	%
			STAKEHOLDERS' ETHICAL ATTITUDE	Stakeholders (local community) feeling more involved in social/civic activities thanks to the bank	Quantitative	%

Table 16 Outcomes and Indicators to value the impact Shareholder and employees activity (proposed)

3.2 Discussion and gap analysis

A review of existing metrics and indicators used to measure social impact of ethical banks' activities showed a number of gaps. Also for those, we have to distinguish between lending activities and deposit on one side and human resources management and shareholder engagement activities on the other side, because they have different starting points as we have already seen.

The following table (table 17) represents a summary analysis of indicators collected for each area of **lending activities**. Starting from the data it is possible to represent the so called untapped areas, which are not covered by literature and practices of ethical banks and non-material areas in which is not relevant for that category or domain of investment to measure social impact.

Outcome *Category*	*Type*	*Domain* Organization	Green investments	Education and Job creation investments	Microfinance investments	Social Housing investments	Culture, arts and sports investments	Health Investments
Internal impact	Social	●	○	○	○	●	●	●
	Economic	●	●	○	●	○	●	○
	Environmental	●	●	✖	✖	✖	✖	✖
User/Customer impact	Social	●	○	●	●	●	●	●
	Economic	●	○	●	●	●	●	○
	Environmental	✖	✖	✖	✖	✖	✖	✖
Collective impact	Social	●	○	○	○	●	●	○
	Economic	○	●	●	●	●	○	●
	Environmental	●	●	○	○	●	○	○

Table 17 Summary of key outcomes/indicators mapped (source: self-elaboration)

● = covered ✖ = non material ○ non covered

Starting from the matrices, it is possible to summarize some overall considerations about measurement methodologies, covered issues and indicators.

Some domains such as, Social Housing and Culture, arts and sports show the greater number of impact indicators available, designed and applicable across different categories and types of impacts.

As for some domains, there is a concentration of indicators for a specific category of stakeholder:

- Education and job creation and Microfinance investments focus on outcomes regarding the direct beneficiary, user/customer category, while the collective area is almost uncovered;
- Social housing and Culture, arts and sports address their social impacts to outcomes associated with specific stakeholder groups represented by local community.

All impact indicators assess the change through comparison and the percentage unit of measurement. Percentage changes should be expressed making a comparison between the pre-loan situation with the evolution of the project through the life of the loan: pre-loan for startup, or the years of project development, for organizations that are already operating;

Most of the identified indicators do not have as unit of measure a direct cost of a monetary value. Therefore, it is not possible to quantify and compare in economic terms the impacts of different organizations (11 monetizable indicators vs 109 indicators).

Especially, analyzing the frameworks of metrics it is possible to identify a number of **indicators that could be applied for more than a single domain.** For example, some "social/Internal impact" indicators used in specific areas of investment such as **culture, arts and sports investments** could be applied to other domains such as "*Increased social bonds in the community*", expressed by the increase of the organization's ability to set up partnerships with local organizations;

There is a lack of environmental indicators in the matrices, and the **environmental dimension** does not appear sufficiently *relevant* in the practice for all the domains (e.g Culture, Art and Sports, Social Housing, Microfinance) in relation to the internal and the user/customer impact, while indicators of economic and social type are almost present in all. Although environmental issues have a long tradition of studies and measuring the environmental changes might seem simpler, easily verifiable and objective, it is not always clear the link between the theory of change and loans that are not specifically green investment projects.

Finally, most of the indicators are based on subjective statements. Social Impact measurement is based on the stakeholder engagement because stakeholders (internal stakeholder and users or community) are actually the beneficiaries affected by the changes, requiring a deep engagement of the stakeholder. For this reason, **i**ndicators capture information directly from beneficiaries and consequently on the individuals perception (for example, "C*lients reporting*", "C*ommunity aware of*", "*Clients declaring*").

With regard to human resources management and shareholder engagement activities they can be defined as a "blue ocean", because the main gap is that these issues are not yet being considered, nothing of relevance has yet been done in the field of social impact measurement, so the main challenge is to promote a completely new study to cover this gap.

Conclusion and recommendations for further research

This review brings out three main challenges for ethical banks to social impact measurement that could become a starting point for future research.

Firstly, the lack of standardized metrics to measure social impact is typical for mission driven organizations, and it generates a significant perceived gap in consistency, transparency, and credibility in how funds are tracked and reported. The analysis of existing indicators shows that the state of the art is the development of specific metrics by each organization and standard. Nowadays, none of the metrics is standardized, generally recognized or widely used. As organizations like to measure social impact as a proxy of their social mission achievement, they tend to define organisation-specific indicators. Even if this approach is reasonable and understandable, the lack of standard indicators raises serious concerns about the opportunity of interpretation of different impact measures. The value of indicators is largely related to the opportunity of benchmarking metrics against the ones used by other organizations or over time. In this direction, the organization-specific metrics miss the opportunity to benchmark with other companies while a certain degree of standardization may help to compare different loan projects. The organization-specific indicators should be complementary to a core of general shared indicators that, at the moment, still does not exist. However, the review shows that in some sectors of investment this goal has already been reached such as in the “Green investment” domain where impact measurement literature and practices are consistent. This reflects the fact that environmental concerns have been raised historically before the social ones. However, standardization should not prevent us valuing the specificities of each project. So, the adoption of a synthetic indicator for overall impact may not give us a clearer picture of what changes are related to the organization’s activities.

Secondly, the focus is still on counting outputs more than outcomes. Impact measurement is still based on output measures since it is easier to define and collect these, because they are often required to monitor interventions. However, measuring social impact generally means measuring social or environmental outcomes, effective benefit resulting from a programme, or a service. Outcomes are distinct from outputs, amount of goods produced or products delivered. While traditional assessments are concerned with profitably generating outputs, an appropriate social impact measurement system should focus on the desired improvement making a difference to the lives of beneficiaries and the lives of others. Unfortunately, outcomes are not as easily quantified as outputs. They are messy results of numerous variables, only a few of which the funding activity can hope to influence effectively. The measurement challenge that ethical banks face is to demonstrate a connection between output (for example, “events staged” or “new clients”) and outcome (for example, "audience deciding to pursue additional arts programs after performance"), deriving from activities and to describe that connection quantitatively through number, percentage or economic values.

Finally, there is an increasing pressure from funders and investors for metrics that can be expressed in monetary values to see the return on their investment. So, practitioners create and manage tools with ratios that are easily comprehensible and comparable by investors and financed organizations. The monetization of impact indicators is effectively calculated when it is possible to connect to the project cost savings. For example, within the "Education, Job, Training investments", outcome of a reduction in public assistance is measured through the economic indicator of how much money is saved for the local community. If the value of the outcome perceived exceeds the monetized value, the economic value does not properly represent the impact. For example, in the case of a health care project, where the organization provides services in order to improve the quality of life of disadvantaged people, monetization is only considered as one side of the coin.

In the light of results and considerations presented, it is possible to give some recommendations and identify some research opportunities.

For Lending activities, this review contributes to provide an overall picture of the main indicators for measuring social impact of ethical banks and allows a global vision based on models presented in Chapter 2 (SROI, BIA, IRIS). Ethical banks can select from the matrices the most suitable indicators and have a better understanding of what is the value generated by loans and what needs have to be assessed and monitored at local level. For instance, a valid *job creation* assessment should be related to the social and economic conditions of a community and its citizens, since values differ among stakeholders. Although, the present research does not provide for each domain a complete set of indicators, findings may represent a useful reference for organizations to orientate in the varied landscape of social impact indicators. Gap existence should not discourage ethical banks from implementing social impact measurement since the missing indicators are not always relevant for the organization; in fact, an ethical bank has to consider only the ones linked to the core activities/projects.

However, the review also demonstrates that a material difference exists between theory and practice: frameworks and indicator lists cover a range kind of outcomes, but practical experiences are still lacking in quantitative measurements.

In addition, in order to continue the investigation it would be interesting to use the actual indicators included in the frameworks, but not yet applied in practice. Experimentation may allow extending the investigation not only to the use of specific indicators but of the whole measurement system by including the total impact value chain (input, output, outcome).

Future researches could be inspired by the recent Directive 2013/34/EU on disclosure of non-financial and diversity information by companies and groups that has been adopted by European Parliament in April 2014. This is an opportunity for ethical banks' networks to reflect together and promote an experimentation of impact measurement methodology because only through experimentation can these methodologies and metrics be refined and improved. The case study could involve organizations operating in different countries but within the same investment sector, in order to monitor differences and be able to make comparisons. A further study could gather available information in order to implement mapped indicators, starting from matrices already collected, to measure relevant impacts. This will also help to design new indicators to fill existing gaps over time.

With regard to human resources management and shareholder engagement activities the first step is to conduct an exploratory study among customer and employee engagement surveys or focus groups in order to identify actual outcomes they experience through the ethical banks' activities.

Conclusion by FEBEA

As stated in the introduction, the role of ethical finance actors in the present European (and World) context is assuming an increasing relevance and importance.

The failure of the mainstream financial system is evident to all, and quoting the European Commission[7] “the effects of the prolonged crisis have adversely affected the EU labour markets, exacerbated poor social conditions, and weakened the public finances of member states”. “Social expenditure, offsetting the recession in the first phase, was then reduced becoming pro-cyclical with likely adverse effects continuing into the future. Sustainable growth will be all the more challenging.”

Ethical banks have a long history of working for a more sustainable growth: we work every day on implementing concrete tools aimed at building a more inclusive world, taking care of all social, environmental and economic effects of our activities, focusing on local communities and raising the awareness of people on these issues.

The measure of the impacts of all our activities is not an easy step, given the heterogeneity of our organizations and approaches, but is indeed fundamental in order to give evidence of what we have done in the past decades, and share those best practices and expertise that have allowed us to resist and grow also in this period of crisis. Ethical banks are now widely identified as important actors to indicate possible alternative routes for a different growth model, and we need to play our role in the best possible way.

Within this context, the study carried out is important for mainly two reasons:

- It finally gives a complete review of all potential indicators that can be used to measure the impacts of our activities. They might capture only partially the core of our mission and aims, but still are useful numbers that help to offer a picture of what we do and how. This is indeed very important as it offers a useful list of tools for each of our banks, in order to evaluate their performances, and above all it offers our Federation the opportunity to create a common tool to compare our members and monitor the progress over time. This would allow us to better focus our efforts and resources on those specific fields that need it the most.

[7] EU Commission; EU Employment and Social Situation; Quarterly Review; September 2013

- Thanks to the gap analysis it opens new paths to explore. There are no specific indicators to measure those aspects which are more specifically linked to the essence of ethical banks. We don't aim at maximising the financial return, but the general interest of the community and the common good, and all our dimensions are dedicated to this effort (not only through the lending activity, but also through our internal organisation procedures, the way we collect savings, the way we manage the relations with our clients and shareholders, etc.). The gap of indicators to measure this kind of mission is surely due to the difficulties on measuring less "quantitative" elements and to the fact that the mainstream financial system has never been evaluated on those aspects, but still these are no good reasons to do some efforts on this issue. The study offers few suggestions on specific indicators that could be used, opening the way for experimentation. Ethical banks have always been at the edge of innovation in terms of financial products for their main target, social economy, which has always been considered hardly bankable by mainstream banks. Research is now needing a new impulse in terms of innovation and we can play our role also on this field.

FEBEA is therefore conscious of the fact that this study is just a first step in the field of social impact analysis for ethical finance, but nevertheless it had to be done in order to plan the future steps, and the present review is surely a valid support for the next phase.

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APPENDIX I

The research on the academic database resulted in more than 3.000 articles, which include every reference to at least one of the generic keywords. Among these, the research group limited the analysis to articles found out through the cross search and we selected the most relevant of according to the different academic types.

In the following figures the main statistical results are showed.

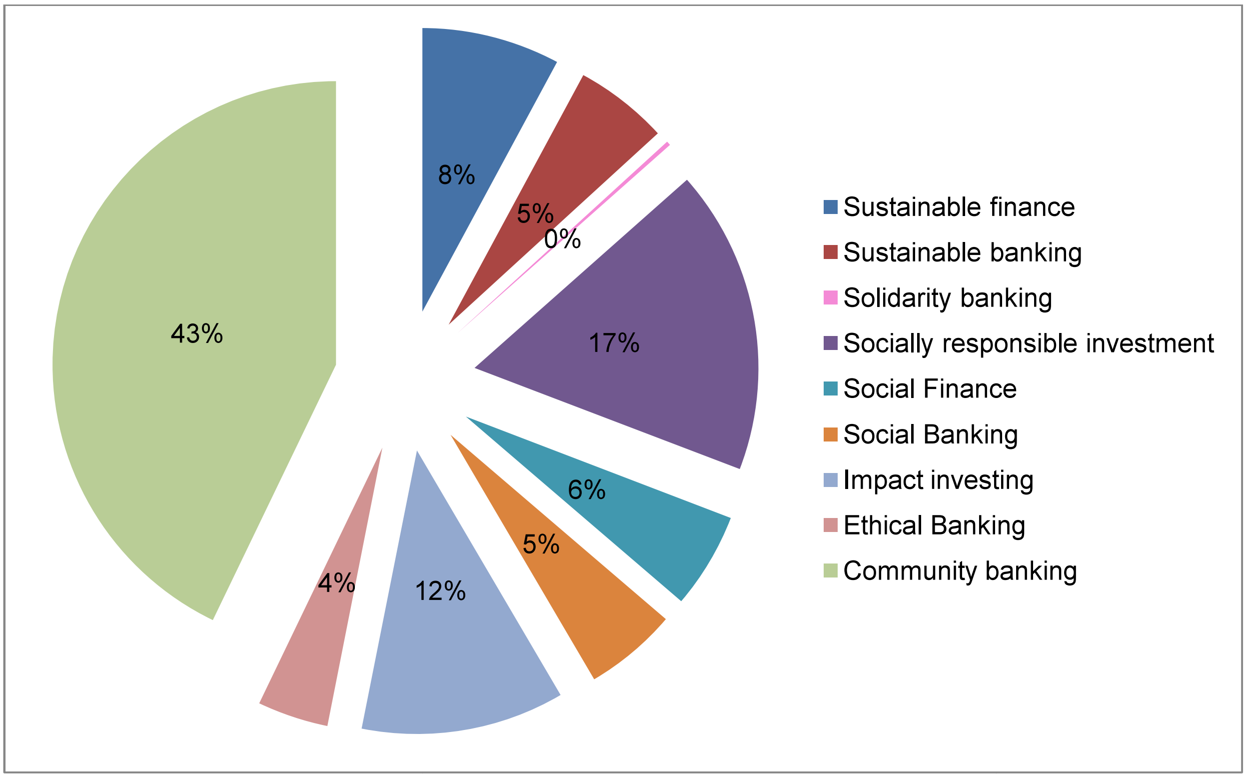

Figure 8 Distribution of articles according to the main generic keywords

The figure 8 shows as the literature mainly focuses on the topics of community banking and socially responsible investment. These data provide elements for further analysis that will be carried out in the next steps.

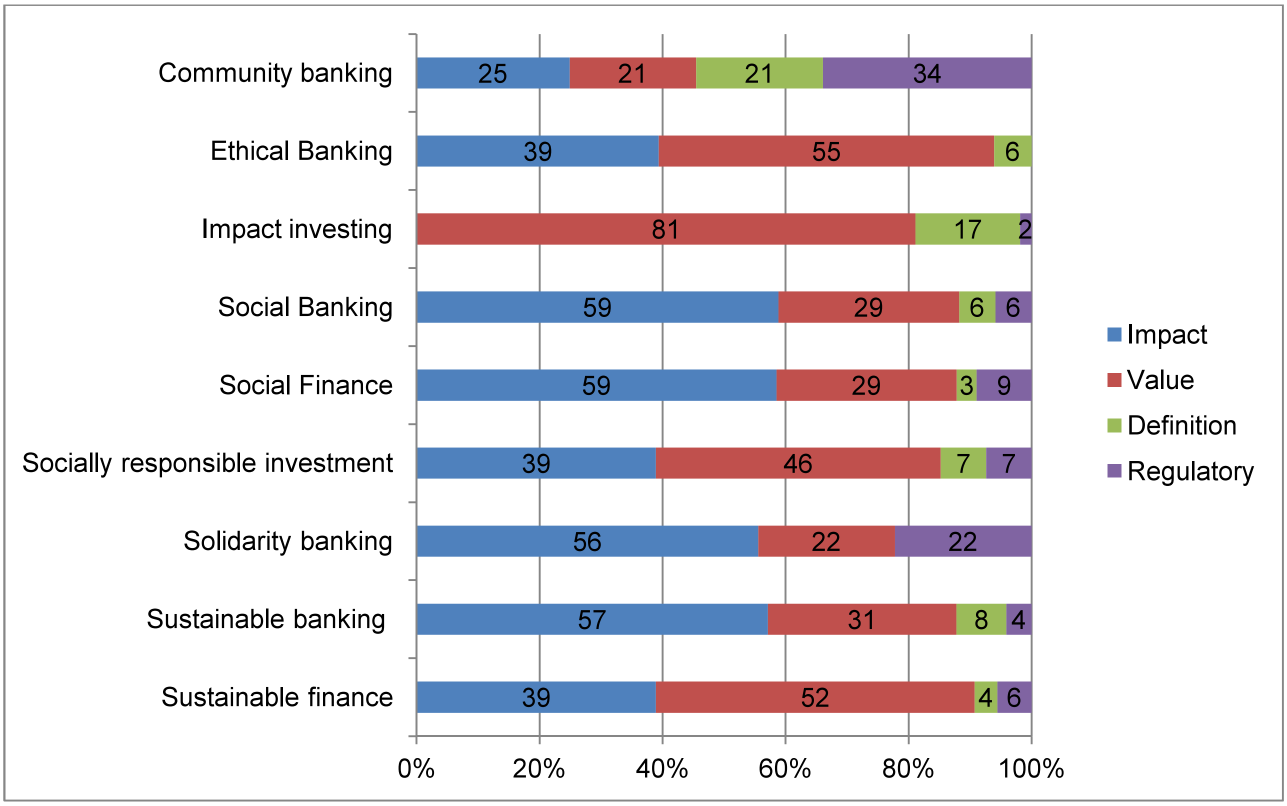

Figure 9 Distribution of articles according to the cross research

Figure 9 shows that the two main academic topics of discussion are represented by “impact” and “value”. This will provide a useful reference to identify the key concepts linked to those specific keywords.

Based on the material found we divided the main literature in four groups:

• theoretical articles within the field of finance;

• theoretical articles within the field of impact measurement;

• theoretical articles within the field of impact measurement and finance;

• empirical articles (quantitative and qualitative).

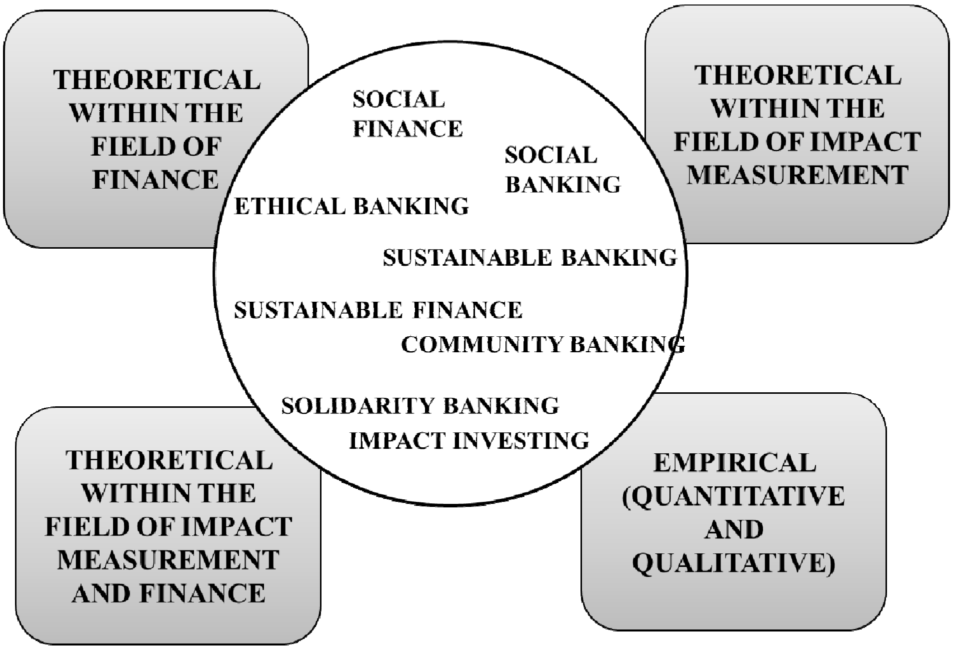

Figure 10 Classification of articles

The following tables provide the lists of the articles classified according to the above mentioned criteria.

Title	**Author**	**Journal and year**
A study of social and ethical issues in banking industry	K.A. Goyal and Vijay Joshi	IJER, 2011
Are Ethical Banks Different? A Comparative Analysis Using the Radical Affinity Index	Leire San-Jose, Jose Luis Retolaza, Jorge Gutierrez-Goiria	Journal of Business Ethics (2011)
Social Banking: Products and Services	O. Weber	Book, London: Routledge.
Mission and Profitability of Social Banks	O. Weber	Working paper
Sustainable Banking – History and Current Developments	O. Weber	Working paper
Vive la Différence: Social Banks and Reciprocity in the Credit Market	S. Cornée and A. Szafarz	Journal of Business Ethics, 2013

Social and Innovative Banking Strategies for Sustainable Banking in India	Sanjay Kanti Das	International Journal of Economics, Finance and Management,2013
Social responsibility and ethics in the banking business: Myth or reality? A Case Study from The Slovak Republic	Jaroslav Belás	ECONOMIC ANNALS, 2012
Ethical Banking: The Case of The Co-operative Bank	B. Harvey	Journal of Business Ethics, 2005
The Role of Ethical Banks in Health Care Policy and financing in Spain	L. S.Carulla, J. Solans, M. Duaigues, J. Balot and JC. García-Gutierrez	Journal of Health Care Finance, 2009
The French context of microfinance: A socioeconomic approach of short financial relationships through modern "solidarity-based" financial structures and actors.	P. Glémain	International Journal of Social Economics, 2009
Redefining impact investment	J. Cook and G. Payne	Corporate Knights Magazine, 2013
Social Impact Investing at the Intersection of Health and Community Development	L. Richter	National Civic Review, 2013
Sustainable Corporate Finance	A. Soppe	Journal of Business Ethics, 2004
Socially responsible investments: Institutional aspects, performance, and investor behavior	L. Rennebooga , J. Ter Horst and C. Zhang	Journal of Banking & Finance, 2008

Table 18 Theoretical article within the field of finance

Title	**Author**	**Journal and year**
Social Return on Investment (SROI) and Performance Measurement	R. Millar and K. Hall	Public Management Review, 2013
Developments in Social Impact Measurement in the Third Sector: Scaling Up or Dumbing Down?	J. Gibbona and C. Deyb	Education, Knowledge and Economy, 2011

Measuring the impact of social enterprises	M. Bertotti, G.Leahy, K. Sheridan , P. Tobi and A. Renton	Available online at: http://www.bjhcm.co.uk/cgi-bin/go.pl/library/article.cgi?uid=83142;article=BJHCM_17_4_152_156;format=pdf
Understanding Value Creation in Social Entrepreneurship: The Importance of Aligning Mission, Strategy and Impact Measurement	J. Ormiston and R. Seymour	Journal of Social Entrepreneurship, 2011

Table 19 Theoretical articles within the field of impact measurement

Title	Author	Journal and year
Il Bilancio Sociale: uno strumento per la gestione del rischio reputazionale. Il caso delle Banche etiche italiane	N. Rappazzo	Impresa progetto, 2013
Sustainability Benchmarking of European Banks and Financial Service Organizations	O. Weber	Corporate Social Responsibility and Environmental Management, 2005
Impact measurement in microfinance: is the measurement of the social return on investment an innovation in microfinance?	O. Weber	Journal of Innovation Economics & Management, 2013
Incorporating Sustainability Criteria into Credit Risk Management	O. Weber, R. W. Scholz and G. Michalik	Business Strategy and the Environment, 2010
Interrogating the theory of change: evaluating impact investing where it matters most	E. T. Jackson	Journal of Sustainable Finance & Investment, 2013
A Critical Review of Sustainable Business Indices and their Impact	Stephen J. Fowler, C. Hope	Journal of Business Ethics, 2007
The development of a stakeholder-based scale for measuring corporate social responsibility in the banking industry	A. Pérez, P. Martìnez, I. Rodrìguez del Bosque	Service Business, 2013

Table 20 Theoretical articles within the field of impact measurement and finance

Title	Author	Journal and year
Information Transparency as a Differentiation Factor of Ethical Banking in Europe: A Radical Affinity Index Approach	L. San Jose and J. L. Retolaza	The Icfai University Press, 2008
Sustainable Banking: The Commercial and Legal Impacts of Private Self-Regulatory Initiatives.	P. Yeoh	European Energy and Environmental Law Review, 2009
Misurare la differenza. La metrica del Credito Cooperativo	C. Gonnella and A. Messina	Cooperazione di Credito, 2014
Social enterprise and the measurement of social value: methodological issues with the calculation and application of the social return on investment	P. W. Ryana and I. Lynea	Education, Knowledge and Economy, 2008
Further evidence on the link between finance and growth: an international analysis of community banking and economic performance	A.N. Bergen, I. Hasan and L. F. Klapper	Journal of Financial Services Research, 2004
Lessons in operationalizing social finance: the case of Vancouver City Savings Credit Union	S. Geobey and O. Weber	Journal of Sustainable Finance &Investment, 2013
Assessing ethical behaviors in the Spanish banking and insurance industries: evidence and challenges	P. R. Palominoa, M. P. Martínez-Ruiza and R. Martínez-Cañasa	The International Journal of Human Resource Management, 2012
Developmental Impact and Coexistence of Sustainable and Charitable Microfinance Institutions: Analysing BancoSol	J. SCHICKS	European Journal of Development Research, 2007

Table 21 Empirical articles (quantitative and qualitative)

In addition to the review of the academic literature, the research group searched for reports or documents of the best practices and case studies within the field of social impact of financial organizations around the world (Table 22).

Title	Author	Link and Year
Real Banking for the Real Economy: Comparing Sustainable Bank Performance with the Largest Banks in the World	Global Alliance for Banking on Values	2013; http://www.gabv.org/wp-content/uploads/New-13-5923_GABV_report_Washington_07mvd1.pdf

Strong and Straightforward: The Business Case for Sustainable Banking	Global Alliance for Banking on Values	2012; http://www.gabv.org/wp-content/uploads/GABV-Report_Strong-and-Straightforward_The-Business-Case-for-Sustainable-Banking1.pdf
Strong, Straightforward and Sustainable Banking Financial Capital and Impact Metrics of Values Based Banking	Global Alliance for Banking on Values	2012; http://www.gabv.org/wp-content/uploads/Full-Report-GABV-v9d.pdf
L'impact social de France Active étude	France Active	2012; http://www.franceactive.org/upload/uploads/File/ressources_documentaires/152003_FA_12PagesImpactSocial_Planche.pdf
Telling the Story. The Impact of the Reporting Banks and Community Development Banking Institutions	National Community Investment Fund (NCIF)	2012; http://ncif.org/sites/default/files/free-publications/201311_Telling-the-Story_agg__Dashboards.pdf
Development Impact Dashboards. NCIF Social Performance Metrics	National Community Investment Fund (NCIF)	2011; http://www.ncif.org/sites/default/files/pdfreport_samples/Dashboard_summary.pdf
Social and Environmental Report	Fefisol	2013; confidential
Impact of credit on the sustainability of SME. Borrowers of Brac Bank: a follow up study	BRAC Bank	2012; http://www.gabv.org/wp-content/uploads/BRACFirst-IMS-Follow-up-study-_v2.pdf
What really differentiates ethical banks from traditional banks?	FEBEA	2012; http://www.ethicalbankingeurope.com/sites/default/files/Definition%20Ethical%20Bank.pdf
Social impact strategies for banks – venture philanthropy and social investment	EVPA	2014; http://evpa.eu.com/knowledge-centre/publications/evpa-publications/
Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to: EuSEFs and the EaSI	GECES Sub-group on Impact Measurement	2013; http://ec.europa.eu/internal_market/social_business/docs/expert-group/20131128-impact-measurement-subgroup_en.pdf

The impact of microcredit report Microbank	MicroBank	2012; http://www.microbanklacaixa.com/deployedfiles/microbank_v2/Estaticos/PDFs/Informe_impacto_microcreditos_2011_en.pdf
Social banks and impact measurement: The cases of charity bank and Triodos Bank	Siri Aspevik Bosheim (Institute for Social Banking)	2012; http://www.social-banking.org/fileadmin/isb/Artikel_und_Studien/Paper_Series/Paper_No.10.pdf
Management practices in European ethical banks: a comparison with traditional banks	Fanny Malchair	2013; confidential
Rapport Coopératif	Credit Cooperatif	2013; http://www.credit-cooperatif.coop/fileadmin/doc/05_Societaires/Rapport_cooperatif_2013DEF.pdf
Rapport annuel 2012	Groupe Credit Cooperatif	2012; http://www.credit-cooperatif.coop/fileadmin/doc/Information_financiere/CCRA2012.pdf
Study of impact and client satisfaction with the loan services of DIACONIA-FRIF	PROFIN Foundation	2009; http://www.norad.no/en/tools-and-publications/publications/publication/_attachment/381059?_download=true&_ts=13127cbe2cc
Proposal of indicators for social performance monitoring	PROFIN Foundation	2009; www.norad.no/en/tools-and-publications/publications/publication/_attachment/381062?_download=true&_ts=13127ccf179
Triodos Annual Report	Triodos	2012; http://report.triodos.com/en/2012/servicepages/downloads/files/annual_report_triodos_ar12.pdf
L'impatto sociale di Banca Etica. 15 anni di finanza al servizio del bene comune	ALTIS	2014; http://www.slideshare.net/bancaetica/limpatto-sociale-di

Table 22 Practitioner reports