A Conceptual Framework for Measuring the Social Return on Investment (SROI) for Affordable Housings in Malaysia

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DOI: https://dx.doi.org/10.47772/IJRISS.2026.1015EC00003

Received: 28 December 2025; Accepted: 03 January 2026; Published: 15 January 2026

ABSTRACT

The benefits of affordable housing extend beyond the number of units built or households housed. The most significant difficulty in the assessment of affordable housing is to measure the cultural, social, and environmental impacts which are often considered 'intangible' and sometimes overlooked. This research involved a literature review, analysis of existing SROI studies of affordable housing, and construction of a Framework for determining the SROI for investments in affordable housing. This paper provides a proposed framework for using the Social Return on Investment (SROI) as a viable way to demonstrate the impact of government spending on housing by attaching a monetary value to the benefits housing brings to residents, housing providers, and the local economy.

Keywords: Public Housing, Project Appraisal, Cost-Benefit Analysis, Economic Valuation

INTRODUCTION

Public housing is generally defined as housing built by the government or in collaboration with the private sector that provides access to housing of suitable quality and at a fair price or rent. (Ibem and others, 2011). According to the Oxford Dictionary (2015), public housing is subsidised by the government and constructed for low-income families. In order to provide its residents with suitable, reasonably priced, and high-quality housing, the Malaysian government had to spend a huge sum of money. The People's Housing Project (PHP) is one of the National Housing Department's major public housing initiatives. Prior to the government's new approach in the early 1970s, which placed a shared responsibility on private developers to provide affordable homes for lower-income groups, PHP was the only housing program for these groups. The original goal of this 1950 effort, which concentrated on metropolitan areas, was to make it possible for those with lesser incomes to purchase or rent homes. In the 1960s, it developed into a tool for removing squatters and urban slums and offered urban poor people a rehousing plan (NHD, 2018).

Measuring the cultural, social, and environmental effects—which are frequently regarded as "intangible"—is the biggest challenge un evaluating public housing. Many cultural, social, and environmental effects seem to be overlooked when pricing such social repercussions due to a lack of adequate monetary valuations. The Guidelines for Program Achievements or Development Projects Through Outcome Assessment were used in the present evaluation program under the Department of Prime Minister's (JPM) Implementation and Coordination Unit (ICU). In order to assist ministries and departments in getting ready to submit proposed projects, the Economic Planning Unit (EPU), an organisation under the Prime Minister's Department of Malaysia, adopted the Creativity Index (CI) from the Malaysia Blue Ocean Strategy (NBOS) under the 11th Malaysia Plan, which began in 2016. Instead of the project cost (development and operation) over a given time period, CI is defined

as the individual's effect or profit value. In order to give the government high impact value for the target group and the idea of the best value for money with maximum resource usage, CI is used to calculate project capabilities.

However, the CI method is not widely applied to evaluate the post-implementation of the program (NHD, 2020). Besides, the expense of carrying out primary research to extract these values prohibits other departments from carrying out CBA. Such constraints make it difficult for the Government to transparently determining the best alternative. Despite various research outcomes, none of the findings presenting the benefits in monetary terms but rather describing it in descriptive benefits. The guideline did not take into account significant non-market or intangible benefits of the program evaluation. Instead, policymakers attempt to measure the economic, social, and environmental benefits only by subjective evaluation. Thus a proper framework for social return of investment should be formulated in evaluating the economic viability of of a public housing. The methods will then can be applied in helping decision-makers to decide on the direction of the program in the future.

Conceptual Background of Social Return on Investment (SROI)

Social Return on Investment (SROI) is an impact evaluation approach that seeks to measure and communicate the social, environmental, and economic value created by an intervention by expressing outcomes in monetary terms. Rooted in cost–benefit analysis and social accounting principles, SROI emphasises a stakeholder-centred process that identifies how different groups experience change as a result of an investment. Core principles of SROI include stakeholder engagement, understanding what changes, valuing outcomes that matter, avoiding over-claiming through adjustments for deadweight and attribution, and ensuring transparency in assumptions and calculations. By translating diverse outcomes into a common monetary metric, SROI enables a more holistic assessment of value creation beyond financial returns.

The rationale for monetising social outcomes lies in the need to make often intangible or non-market benefits visible and comparable, particularly in public policy contexts where funding decisions are constrained by limited resources. Outcomes associated with affordable housing—such as improved wellbeing, social stability, health outcomes, and community cohesion—are frequently excluded from conventional financial evaluations because they lack explicit market prices. SROI addresses this gap by using financial proxies to estimate the value of such outcomes, allowing decision-makers to compare social value alongside financial costs. This monetisation process facilitates clearer communication of social impact to policymakers, funders, and the wider public, thereby strengthening accountability and evidence-based decision-making.

Despite its advantages, the application of SROI in public sector evaluation presents both strengths and limitations. A key strength of SROI is its ability to capture a broad range of outcomes across multiple stakeholder groups, offering a more comprehensive understanding of policy impacts than traditional performance metrics. However, SROI has been criticised for its reliance on assumptions and proxy values, which may introduce subjectivity and reduce comparability across studies. The resource-intensive nature of SROI studies, including data collection and stakeholder engagement, can also limit its practical application. Consequently, while SROI provides a valuable framework for articulating social value, it should be applied with methodological rigour and interpreted as a decision-support tool rather than a precise measurement of impact.

RESEARCH METHODOLOGY

This study adopts a qualitative and conceptual research design based on a structured literature review and comparative analysis of existing Social Return on Investment (SROI) studies related to affordable housing. The review focused on peer-reviewed journal articles, policy reports, and practitioner guidelines addressing housing impacts, social value measurement, and SROI methodology. Academic databases including Scopus, Web of Science, and Google Scholar were searched using keywords such as affordable housing, social value, intangible outcomes, and Social Return on Investment, with emphasis placed on studies examining social, cultural, environmental, and economic housing outcomes.

An analytical framework was applied to systematically compare SROI studies based on stakeholder identification, outcome mapping, valuation methods, and treatment of attribution and deadweight. Insights from

this analysis informed the development of a proposed SROI framework for affordable housing investment, integrating established SROI principles with housing-specific outcome pathways. The framework aims to provide a transparent and adaptable approach for assessing the broader social value of government housing expenditure across different policy contexts.

Current Appraisal Methods

Current appraisal methods for affordable housing investments are largely based on financial and output-oriented evaluation approaches, including cost–benefit analysis, cost-effectiveness analysis, and budget impact assessments. These methods typically focus on construction costs, delivery efficiency, and the number of housing units produced, with public sector performance often measured through indicators such as budget compliance, project timelines, and occupancy rates. While such approaches support financial accountability, they tend to prioritise short-term and easily quantifiable outputs over broader social outcomes.

Although some appraisal frameworks incorporate socio-economic indicators such as affordability ratios, tenure security, and access to services, these measures are often applied in isolation and fail to capture wider impacts on wellbeing, social cohesion, and environmental sustainability. Qualitative assessments are occasionally used but are rarely integrated systematically into decision-making processes. Consequently, intangible and long-term benefits remain underrepresented, prompting increasing interest in alternative frameworks such as Social Return on Investment (SROI) to better reflect the full value of affordable housing investments.

Economic Valuation Approach

The majority of prior research outside Malaysia applied various methodologies in determining the impact of public housing and how to measure the outcomes from an economic perspective. Related research can be summarized in **Table 2** below. From the literature, the top four benefits that most early studies, as well as current work focus, are economic, education, health, and security impacts.

Table 2: Literature on Housing Benefits and Methodology Used

Impact Category	Outcome	Source	Methodology
Economic	Greater financial flexibility	(Ravi & Reinhardt, 2011)	Proxy values
	Increase monthly income	(Bottero, Ambrosini, & Callegari, 2017)	Proxy values
	Saving in monthly renting/mortgage	(Ministry of Economic Affairs, 2019)	Proxy values
	Generating local economic surrounding the project through the tenant spending	(Ministry of Economic Affairs, 2019)	Proxy values
	Reduced financial stress (savings in monthly saving)	(Thomson, Yates, Myers, & Thomson, 2016)	Proxy values
Educational	Enhanced educational success for affordable housing tenants children (increase in future salaries)	Ravi and Reinhardt (2011)	Revealed preference approach
	Tenants are more likely to seek incentives for education or training that will boost their job prospects (an improvement in wages)	Ravi and Reinhardt (2011)	Revealed preference approach
	Increased participation in continuing education (value of higher education fee)	(Thomson, Yates, Myers, & Thomson, 2016)	Proxy values
	Employment and wages increase	Bottero, Ambrosini, & Callegari (2017)	Proxy values

Health	Improved overall health (savings on medical expenses)	Ravi and Reinhardt (2011), (Thomson, Yates, Myers, & Thomson, 2016)	Cost of Illness
	Creating a conducive and healthy environment. (Prevents water-borne diseases, dengue,- saving on medical expenses)	(Ministry of Economic Affairs, 2019)	Cost of Illness
Community Inclusion	Participation in the new activities proposed by the project/program	(Bottero, Ambrosini, & Callegari, 2017)	Willingness to Pay
Mobility	Access to forest and park	(Bottero, Ambrosini, & Callegari, 2017)	Willingness to Pay
Security	Increased Safety for the tenant through Street Lighting Facility I the housing area	(Ministry of Economic Affairs, 2019)	Proxy values
	Perception of safety	(Thomson, Yates, Myers, & Thomson, 2016)	Willingness to Pay
	Reduced Crime	(Carlson, Haveman, Kaplan, & Wolfe, 2009)	Willingness to Pay

The literature indicates that the majority of studies employ the Contingent Valuation Method (CVM) to estimate and assign monetary values to the benefits generated by development projects. CVM is widely used as a primary technique for valuing non-market goods, including environmental assets, wildlife, and improvements in environmental quality (Hanemann, 1994). Its strength lies in its flexibility, as the method can be applied to estimate the economic value of a wide range of natural and social resources that are not traded in conventional markets (Whitehead and Blomquist, 2006).

Cost-Benefit Analysis (CBA)

Cost–Benefit Analysis (CBA) is regarded as one of the most comprehensive tools for project appraisal, as it applies a standard monetary metric to compare all costs and benefits associated with an intervention (Nur, Abd, Khalil, & Isa, 2019). CBA is particularly useful in informing decisions involving substantial capital investment, such as determining whether to initiate a new housing scheme or continue existing programmes. By quantifying both implementation costs and the benefits derived from predefined parameters or indicators, CBA provides decision-makers with a detailed evidence base to assess project viability.

A key outcome of CBA is the calculation of indicators such as net benefits or net present value, which are commonly interpreted as measures of a project's overall social desirability (Nyborg, 2014). These indicators enable policymakers to compare alternative projects and prioritise investments based on their expected net contribution to social welfare. As such, CBA has become a widely accepted appraisal method in public sector planning and resource allocation.

In the Malaysian context, CBA has been extensively applied across various sectors, including agriculture (Shahwahid et al., 2017; Wan Ariffin et al., 2018), energy and utilities (Abdullah et al., 2012; Chua et al., 2015; Mahlia et al., 2004), construction (Kwong et al., 2018; Shekarchian et al., 2012), and education (Kenayathulla, 2010). This widespread application suggests that the use of CBA in evaluating public housing projects, including Public Housing Programme (PHP) initiatives, is both feasible and potentially valuable in supporting informed decision-making.

Proposed Conceptual Framework of SROI for Public Housing Projects

In this study, a summary of the Cost–Benefit Analysis (CBA) indicators is presented in Figure 1 as an initial conceptual model informing the proposed SROI framework. The framework was developed based on insights

derived from the preceding analysis and a review of relevant literature. As illustrated in the figure, four main categories of perceived benefits are identified: (a) economic impact, (b) education impact, (c) health impact, and (d) security impact. These benefit dimensions reflect the broader social outcomes commonly associated with public housing provision.

Correspondingly, the perceived costs are grouped into four primary categories: (a) development cost, (b) maintenance cost, (c) compliance cost, and (d) operating cost. Both perceived benefits and costs are evaluated using the benefit–cost ratio (BCR), which represents the relationship between total benefits and total costs expressed in monetary terms. A project with a BCR greater than 1.0 indicates that the expected benefits exceed the associated costs, suggesting a positive net present value.

From a public sector perspective, the BCR serves as a decision-support indicator to assess whether a proposed public housing project is reasonable, justifiable, and feasible. By comparing monetised benefits against total costs, policymakers can determine whether the social value generated by the project outweighs the public expenditure involved. This conceptual model provides a foundation for integrating SROI principles into public housing appraisal, enabling a more comprehensive evaluation of both tangible and intangible outcomes.

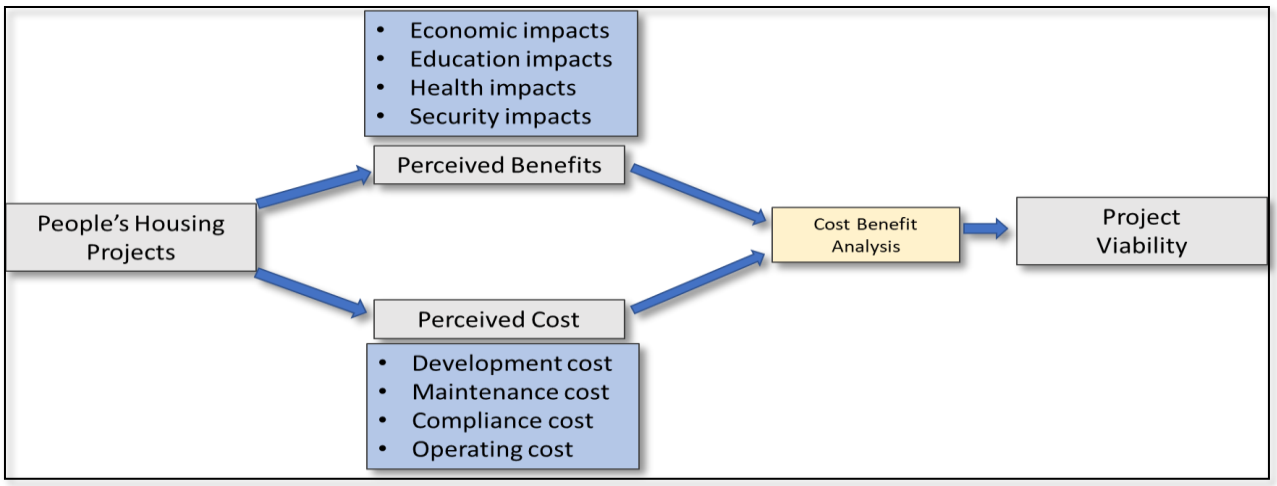

Figure 1: Proposed Conceptual Framework of of SROI for Public Housing Projects

However, on a project-by-project basis, this conceptual framework should be reviewed as the perceived benefits and costs may differ between each project.

CONCLUSION AND RECOMMENDATIONS

Assessing the benefits generated by public housing projects is essential for evaluating their effectiveness and long-term value. Public Housing Programmes (PHP) play a significant role in improving housing access for low- and lower-income households, supporting the government's broader agenda of poverty eradication and social inclusion. While the provision of adequate housing remains a core policy objective, understanding the wider social, economic, and wellbeing outcomes arising from such investments is equally important for informed public decision-making.

This study highlights the limitations of conventional appraisal approaches and emphasises the need for more comprehensive evaluation tools in the Malaysian public housing context. Although Cost–Benefit Analysis (CBA) has been applied across various sectors, its use in public housing appraisal remains limited. Building on this gap, the study proposes a conceptual framework that integrates Social Return on Investment (SROI) principles to capture both tangible and intangible benefits associated with public housing projects. By assigning monetary values to social outcomes, the proposed SROI framework enables a clearer demonstration of the broader value created through government housing expenditure.

It is recommended that policymakers and housing authorities adopt SROI-based appraisal approaches alongside traditional financial assessments when evaluating public housing initiatives. Such an approach would enhance

transparency, strengthen accountability in development spending, and support more effective resource allocation by identifying projects that deliver the highest social value per unit of public investment. Future research should focus on empirically applying the proposed framework to selected public housing projects to validate its practicality and contribution to evidence-based housing policy.

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