



ITFA CREATES SOCIAL RETURN ON INVESTMENT MODEL TO ASSESS IMPACT OF TRADE TRANSACTIONS, October 2025

*Written by **Rebecca Spong**, Editorial Consultant, September 2025*

ITFA has launched a model that assesses the social value of trade finance transactions, reflecting a market need to recognise the societal impact of deals, such as job creation, rather than only focusing on environmental repercussions.

The social return on investment (SROI) model measures the non-balance sheet impact of an investment and can be used to create a benchmark for a past transaction or to forecast what might happen because of an investment. The model was launched in Singapore at ITFA's annual conference in September.

Economist Rebecca Harding, chief executive officer of the Centre for Economic Security and member of ITFA's ESG committee spearheaded the development of this model, alongside her fellow committee members. Explaining the initiative in Singapore, Harding said: "We are looking at what every \$1 of investment can create in terms of social, societal or strategic impact."

"We can look at every single transaction – whether it is in oil and gas or the provision of medical equipment – and start to look at the jobs it creates and the impact it has on communities," she explained.

The model calculates SROI by taking an 'input' – which is the size of a trade transaction and measuring the societal 'output' – such as jobs, provision of public services or contracts for local companies. It then creates a ratio score for the transaction from those two values.

The output is categorised in line with what the World Trade Organization says are the key benefits of trade – such as economic growth, price stability and supply chain security. The output data required by the model is typically already being collected by banks, Harding said.

"It is data that already exists, so it doesn't require extra data collection. It is matched against existing compliance criteria," she explained.

The model is an attempt to rebalance how banks manage and report their ESG requirements.

To date, regulators require mandatory reporting of carbon emissions, meaning reporting is heavily skewed in favour of the environmental aspect of ESG.

However, increasingly market participants – particularly those in developing countries – have argued that the same ESG standards set for developed countries are incompatible with economic conditions in Africa or Southeast Asia.

For instance, a project that produces carbon emissions may also generate hundreds of new jobs or drive economic growth. Furthermore, the inability of current ESG regulation to factor in social impact means many SMEs in both developing and developed countries may not be able to access trade finance, despite the wider benefits of their business.



This inevitably widens the already US\$2.5 trillion global trade finance gap. “Net zero and reporting requirements actually mitigate against deep-tier supply chains in emerging markets,” Harding said in Singapore.

The new SROI model will create a tangible 'score' for a transaction, which may help lenders better explain to regulators why they are financing a particular deal, and could eventually lead to lenders securing capital relief on transactions as well as the development of new trade finance products.

In Singapore, Harding gave the example of a fictional US\$20 million transaction to support palm oil trade from Indonesia to West Africa. Typically, banks would struggle to approve palm oil-related transactions.

Yet, by applying the SROI framework to the deal, Harding demonstrated how it had the potential to generate jobs and drive infrastructure development – and in doing so would hit some of the UN's Sustainable Development Goals.

The launch of the SROI model comes in the midst of a wider pushback against ESG around the globe. The Net Zero Banking Alliance shut down in early October after an exodus of banks from the UN-backed global banking group. President Trump's desire to roll back environmental legislation and diversity, equity and inclusion programmes has further dampened enthusiasm for ESG.

However, Harding said there has “never been a more important time to think in a different way about how we think about ESG.

“Let's stop thinking about it as a compliance obligation – and stop thinking of ourselves as compliance organisations with a bank attached – but rather think of ourselves as impact organisations.”

To date, Mauritius Commercial Bank is the most advanced bank in terms of putting the model into practice. Sean Edwards, chair of ITFA, says the next step is for ITFA to start working with regulators and win their support for the model.

“We believe we have a robust and cost-effective tool for banks to use but ultimate adoption will, in large part, be dictated by the attitude of regulators. We are therefore beginning an outreach programme starting with the OECD,” he says.

To find out more about the SROI model and how it might benefit your bank, contact ITFA on info@itfa.org