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Study on the Profiling of Business Establishments in the Cities of Batangas, Iloilo and Cagayan de Oro

Investment Enabling Environment (INVEST) Project

Submitted to

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ACRONYMS

BMBE	Barangay Micro Business Act of 2002
BPLO	Business Process and Licensing Office
BPLS	Business Permit and Licensing System
BPO	Business Process Outsourcing
BRAF	Business Registration Application Form
CDA	Cooperative Development Authority
CDI	Cities Development Initiative
CMCI	Cities/Municipalities Competitiveness Index
CTO	City Treasurer's Office
DTI	Department of Trade and Industry
FDC	Filinvest Development Corporation
GAD	Gender and Development
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GRDP	Gross Regional Domestic Product
INVEST	Investment Enabling Environment Project
IT	Information Technology
MCT	Mindanao Container Terminal
MSME	Micro, Small, Medium Scale Enterprises
NCC	National Competitiveness Council
NSCB	National Statistical Coordination Board
PSA	Philippine Statistical Authority
PSIC	Philippine Standard Industrial Classification
SEC	Securities and Exchange Commission
USAID	United States Agency for International Development

I. Introduction

The Investment Enabling Environment Project (INVEST) is a three-year project of the United States Agency for International Development (USAID) under its Cities Development Initiative (CDI). The Project's objectives are to lower transactions costs and reduce the cost of doing business in the cities' jurisdictions, as well as to increase their competitiveness as investment destinations. The Project seeks to promote competitiveness and create a business-friendly environment in its three partner cities in the Philippines, namely Batangas, Iloilo and Cagayan de Oro.

In line with USAID's intent to improve data collection and analytics on economic growth and competitiveness at the local level, INVEST conducted a study that seeks to promote more informed local policy-making by showing that data collected on the business permitting process can be better analyzed. The objectives of this study are (1) to produce a profile of the business sector in each of the three INVEST partner cities using the unified business registration application form (henceforth referred to as BRAF); (2) to demonstrate how the data can be used to analyze investment and economic performance of cities; and (3) to introduce a gender perspective in the analysis of the business sector in the three cities through data from the business application form.

The study serves to address the lack of economic and investment indicators at the city level, similar to gross regional domestic product that could track a city's economic and investment growth. It is also the Project's way of contributing to the gender program of USAID, despite data limitations.

This submission is in compliance with deliverable 1 under program area 1.1, component 1. Ms. Sef Carandang conducted the study.

II. Overview of the Data and Analysis

A. Sources of Information and Data Limitations

The city business profiles produced by the study were based on data collected from the business permit and licensing system (BPLS) forms accomplished and submitted by businesses (both newly registered and renewal) for the years 2012 and part of 2013 (January – October). The information was gathered from the Business Permits and Licensing Offices (BPLOs) and/or the City Treasurer’s Offices (CTOs) of the three partner cities.

At the outset, the study intended to cover in the analysis as much economic information that can be culled from the BRAF. This includes data employment, capitalization (for new applicants), gross sales (for business renewals), the line of business, type of corporation, incentives received, in addition to basic information on the firm such as name, address, tax identification number.

For the gender analysis, the Project had to individually assess the sex of the President or the owner from the name reported in the form, since the latter does not include separate fields for the gender of the owner or President of the company. While admittedly an imperfect procedure, this was the only way a gender analysis could be done given the circumstances.

The Project encoded all the forms that were submitted to the city government, with the numbers shown below:

Table 1. Number of Business Application Forms Encoded for the Study

	Batangas City		Iloilo	Cagayan de Oro	
	2012	2013	2013	2012	2013
Total Registered	5,747	6,500	12,550	17,613	18,282
% of data w/ capitalization and gross sales information	94	88	92	99	80
% of data w/ gender disaggregation	80	80	22	99	80

Annex 1 contains the details on the data used in the study disaggregated into new and business renewals.

Some information were also drawn from previous studies done by INVEST, in particular the industry studies on each of the partner cities which was done in September 2013.

Data Limitations

- (1) Incomplete data from the business registration application form

During the data cleaning stage, it was discovered that a number of fields in the BRAF were not completely filled out by the applicants. Hence, the following data, which were intended to be part of the analysis, were excluded in the study:

- Number of employees in a business. There is some data on employment in Iloilo and Cagayan de Oro City; some analysis on this is provided in their respective business profiles.
- Incentives provided to the business establishment. This may provide a good indication of how the local government is enabling the local economic environment by providing incentives that either attract new businesses in potential growth areas or encourage existing businesses to expand. Unfortunately, no data on this was available in any of the 3 cities.
- Disaggregation of gross sales/receipts data into essential and non-essential. It was observed that in general, businesses have not been able to disaggregate their gross receipts to essential or non-essential. Instead, they indicated their total gross receipt figure in either one (essential or non-essential), depending on the nature of goods and services provided by their businesses.

(2) Different Population Base for Economic and Gender Analysis

Since not all applicants filled up all the fields in the form, only a subset of the total number of registered businesses (new and existing) in each city could be analyzed. A summary of the different population bases is provided in Table 1 and Annex 1. Nevertheless, the study is still able to draw some general observations, or in some instances, present a case study to demonstrate the kind of analysis that can be made.

(3) Discrepancies in the City Data

In Iloilo City, there was some discrepancy between the encoded data and the official figure of 10,710 reported by the Iloilo City's Business Permit and Licensing Division. This is due to some problems with the city's database that made it difficult to reconcile the business registration records of 2013 and also that of previous years. Due to data problems in Iloilo City, only the period January-October 2013 was considered in Iloilo City.

In the case of Cagayan de Oro, there were some observed discrepancies with the way registered businesses were classified by sector/sub-sector in 2012 and 2013. This is partially due to incomplete information provided in the BPLS forms, which was the only basis for organizing businesses under the PSIC. For example, the marked hike in the number of businesses involved in agriculture in 2013 may be due to the inclusion of businesses that offer agri-related products or services support. It is likely that most of these were formerly classified under services.

(4) Gender analysis of firms

For the purposes of this study, sex-disaggregation of business establishments is limited/defined by whether the owners of enterprises or presidents of corporations are male or female. In many cases, this was only identifiable if the establishments were sole

proprietorships as the names of the business owners were clearly indicated. In the case of partnerships, cooperatives and corporations, only the business name was indicated. It was a challenge to get the names of the corporations, which was partly solved by getting the information from the Securities and Exchange Commission (e.g. Cagayan de Oro).

Sex-disaggregated data (based on whether business owners are male or female) was available for only 20% of the data from Iloilo City. Hence, no analysis on gender was done for this city.

II. Overview of Profile Analytics

This profiling study concentrated on two areas – an economic analysis of the business sector and a gender view of the business activities in the three cities.

A. Economic Analysis

The economic analysis in this study covers the following: (1) the type of businesses in the city, i.e. sole proprietorship, partnership, cooperative or corporation; (2) the size businesses, i.e. micro, small, medium or large; (3) the structure of the local economy according to key sectors, i.e. agriculture, industry and services; and (4) the amount of investments generated in the city; and (5) the economic performance of the city.

Specifically, the study would like to answer the following questions:

- What is the structure of the local economy?
- Are investments increasing? In what sectors? What sectors are not attracting investment?
- Is the local (city) economy expanding? In what sectors?

From the point of view of a city government, this data is useful to assess the current industry mix of the locality, and thus potentials for growth and investment that the local government should harness and enable. Looking at it from a private sector perspective, a better understanding of the industry mix will help business owners keep up to date on the latest trends that could impact their business.

Types of Business Establishments

The unified business registration form contains a field that requests for information on the type of business, which are categorized and defined as follows:

Sole Proprietorship	Only one person owns and controls the business. Registration is with the Department of Trade and Industry (DTI).
Partnership	Two or more persons bind themselves to contribute money, property or industry to a common fund with the intention of dividing the profits among themselves. Registration is with the Securities and Exchange Commission (SEC).

Corporation	Requires five incorporators; an entity that is separate and distinct from its stockholders and continues to exist even when one of its stockholders leave or dies. SEC registration required.
Cooperative	Association of persons with a common bond of interest who have voluntarily joined together to achieve a lawful common social or economic end, and making equitable contributions to the capital required and accepting a fair share of the risks and benefits. Registration is with the Cooperative Development Authority (CDA).

Size of Business Establishments

Republic Act 9158 otherwise known as the Barangay Micro Business Enterprise Act of 2002 (or BMBE Act) contains the latest definition of micro, small and medium scale enterprises (MSME). The MSME refers to “any business activity engaged in industry, agri-business/services whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity’s office, plant and equipment are situated, refer to the amounts below:

Micro	Less than Php 3 million
Small	Php 3,000,001- Php15,000,000
Medium	Php 15,000,001–Php100,000,000
Large	Greater than Php 100 million

However, since the information generated from the business registration form refers to capitalization of the business, the latter is used as proxy for assets in categorizing establishments according to size.

For business renewals, the gross sales/receipts for the year are analyzed using the same ranges used for defining the size of establishments.

Structure of the City Economy

The business registration form contains a field on “line of activity” which is filled up by the applicant to indicate the nature of its business. The business tax imposed by LGUs is usually based on the firm’s line of activity. However, LGUs differ in the manner by which the lines of activities of the firms in their localities are defined.

For purposes of this study, registered enterprises were reclassified into three main sectors following the classification of the then National Statistical Coordination Board (NSCB) (now Philippine Statistical Authority) using the 2009 Philippine Standard Industrial Classification (PSIC) as stated below (refer to Annex 2):

Agriculture	Agriculture, forestry and fishing (PSIC Section A)
-------------	----------------------------------------------------

Industry	Includes manufacturing, electricity, gas and water and construction, among others (PSIC Sections B-F)
Services	Includes wholesale and retail trade, real estate, hotel and restaurants, health, education, other community and social services, among others (PSIC Sections G-U)

The sector classification of business enterprises provides an LGU a good indication of business prospects, challenges and areas for growth and employment in its locality.

Investment in the City

The relevance of collecting and analyzing data on capitalization is that it is a proxy for new investment in the city.¹ The higher the capitalization recorded, the greater is the potential for production and job creation. Furthermore, aggregating the amount of capitalization of new businesses by sector or line of business further informs city decision-makers where (what industry or industries, for example) that investment is being infused in.

Economic Performance of the City

The amount of gross sales of businesses that are already operating in the city, on the other hand, is a good indicator of the level of production. Since data on gross domestic product (GDP) is only available at the national and regional levels, this indicator can even be considered as a measure of 'city GDP' or the value of goods and services produced in the city in a given year. The level of gross sales is positively correlated with economic activity, i.e. the higher the gross sales, the more dynamic the economy is. And because gross sales is usually the basis for computing the business tax of establishments in cities and municipalities nationwide, it also provides an indication of taxable transactions (which translates to LGU income) that can be expected from each sector or industry.

B. Gender Analysis

The study also attempts to analyze the data with a gender lens with the hope of uncovering new areas for business sector analysis, as part of the INVEST Project's contribution to improving gender analysis in business and investment planning and promotion. Evidence at the micro-level has shown that empowering women has a multiplier effect on economic development. When the inequality gap between men and women narrows, economies tend to grow faster, the poor move more quickly out of poverty, and the well-being of men, women, and children is enhanced. Societies that increase women's access to education, health care, employment, and credit, and that narrow differences between men and women in economic opportunities increase the pace of economic development and reduce poverty.²

¹ Definitions from 2014 Cities and Municipalities Competitiveness Index: Manual of Operations for the Regional Competitiveness Committees, August 2014

² Stotsky, Janet G. 2006. Gender and its Relevance to Macroeconomic Policy: A Survey, IMF Working Paper No. 06/233, Washington DC.

Moreover, enabling women to formalize and thus grow their businesses and increase their income can reap benefits at the household level: there is international evidence that resources in the hands of women do more for family welfare than if they are controlled by men.³

While this study will not cover all gender issues, it will attempt to raise some observations in the three cities, when possible, related to the following:

- Women's participation in the formal sector - which industries or businesses in the sector are women-led, and what kind of business policy environment and support network do women need to start/expand their businesses
- Level of resource and capitalization of women-led enterprises – determining whether women-led enterprises are under-resourced and under-capitalized compared to those managed/owned by men, and how this affects their performance

³ International Finance Corporation, January 2010. Gender and Investment Climate Reform Assessment: Pacific Regional Executive Summary, Washington DC.

III. City Profiles

A. BATANGAS CITY

Batangas City is known as the “Industrial Port City of CALABARZON” where the Batangas Port, an international port and an alternate port of Manila, is located. It has a total land area of approximately 27,633 hectares, and is approximately 112 kilometers away from Manila⁴. It was proclaimed as a city on July 23, 1969 and has since grown to become a hub for trading, commercial and industrial activities. The city is presently classified as a regional growth center and identified as one of the sites for the Regional Agro-Industrial Center and Special Economic Zone in the Philippine Development Plan and the Ecozone Act of 1995, respectively. As a first-class city, it is one of the nation’s top revenue earning cities and the site of one of the biggest refineries in the Philippines. The city also hosts three power plants using natural gas with a combined capacity of 2,700 megawatts.

In 2009, the city was ninth among the growth centers⁵ in the country in the 2009 Philippine Cities Competitiveness Report, which evaluated the competitiveness of cities using the following competitiveness drivers: (1) dynamism of the local economy; (2) cost of doing business; (3) Infrastructure; (4) responsiveness of LGUs to business needs; (5) human resources and training; and (6) quality of life.⁶ More recently, Batangas City ranked 36th in the 2014 Cities/Municipalities Competitiveness Index (CMCI), released by the National Competitiveness Council (NCC). The report ranked 136 cities and 163 municipalities based on 3 indicators: economic dynamism, government efficiency, and infrastructure.

1. Economic Analysis

Economic Profile of Business Firms

There are more than 6000 enterprises registered in Batangas City as of 2013 (Table 2). The total number of registered businesses grew by 8.7% between 2011 and 2012, further increasing in 2013 by 13.1%. In both years, the services sector posted the most significant increase in the number of registered businesses.

⁴ <http://www.batangas.gov.ph/index.php/about-us/2nd-district/batangas-city>

⁵ Cities were classified into three strata based on levels of development. Classification was based on the weighted linear combination of the standardized values of population (assigned a weight of 40%) and total local government income, excluding the Internal Revenue Allotment (IRA) (assigned a weight of 60%). The three classifications are: metropolitan growth centers, growth centers and emergent cities.

⁶ INVEST Industry Study: Seizing Opportunities to Maximize Growth in Batangas City (September 2013).

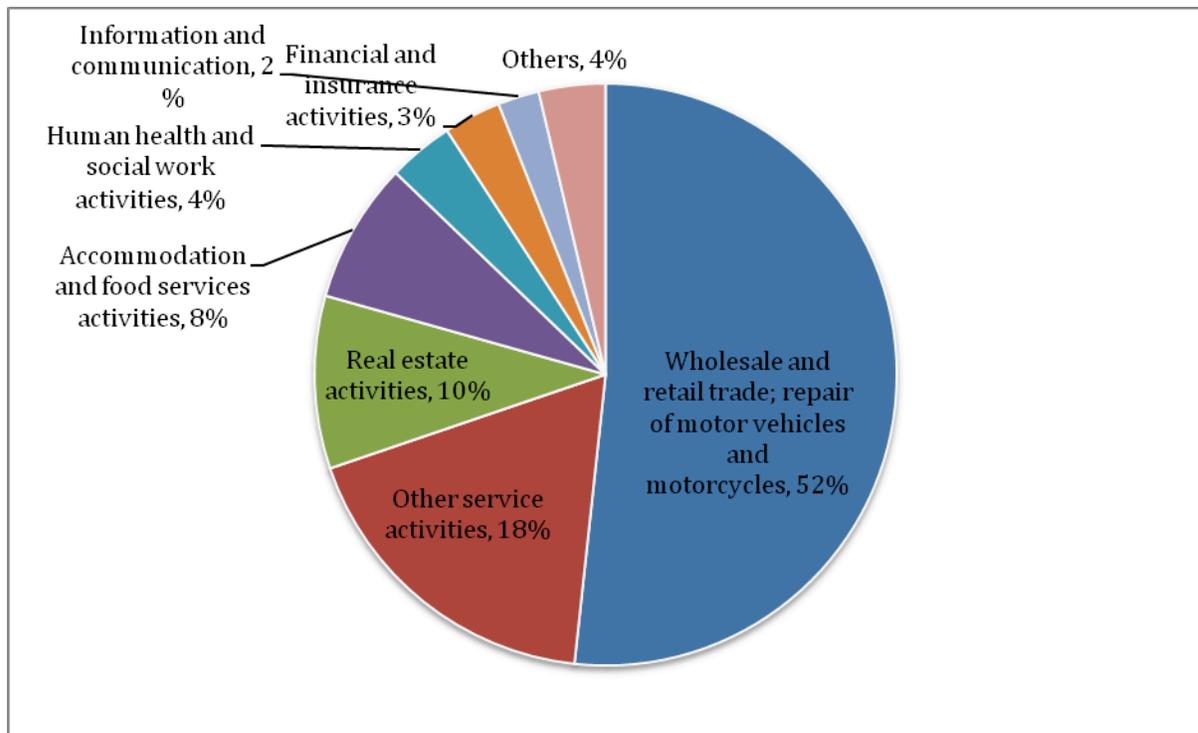
Table 2. Number of Registered Businesses, by Sector, 2011-2013

	2011*		2012		2013		Annual growth rate (%)	
	No. of Enterprises	% to Total	No. of Enterprises	% to Total	No. of Enterprises	% to Total	2011-2012	2012-2013
Agriculture	44	0.8	44	0.8	40	0.6	0	-0.1
Industry	295	5.6	144	2.5	227	3.5	-51.2	57.6
Services	4,947	93.6	5,559	96.7	6,233	95.9	12.4	12.1
Total	5,286	100.0	5,747	100.0	6,500	100.0	8.7	13.1

* 2011 figures taken from INVEST Industry Study on Batangas City, September 2013

Over 95% of all registered businesses in Batangas City belong to the services sector which is comprised of enterprises involved in wholesale and retail trade, real estate, hotel and restaurants, health, education, and community and social services.

Figure 1. Breakdown of Registered Businesses in the Services Sector, 2013

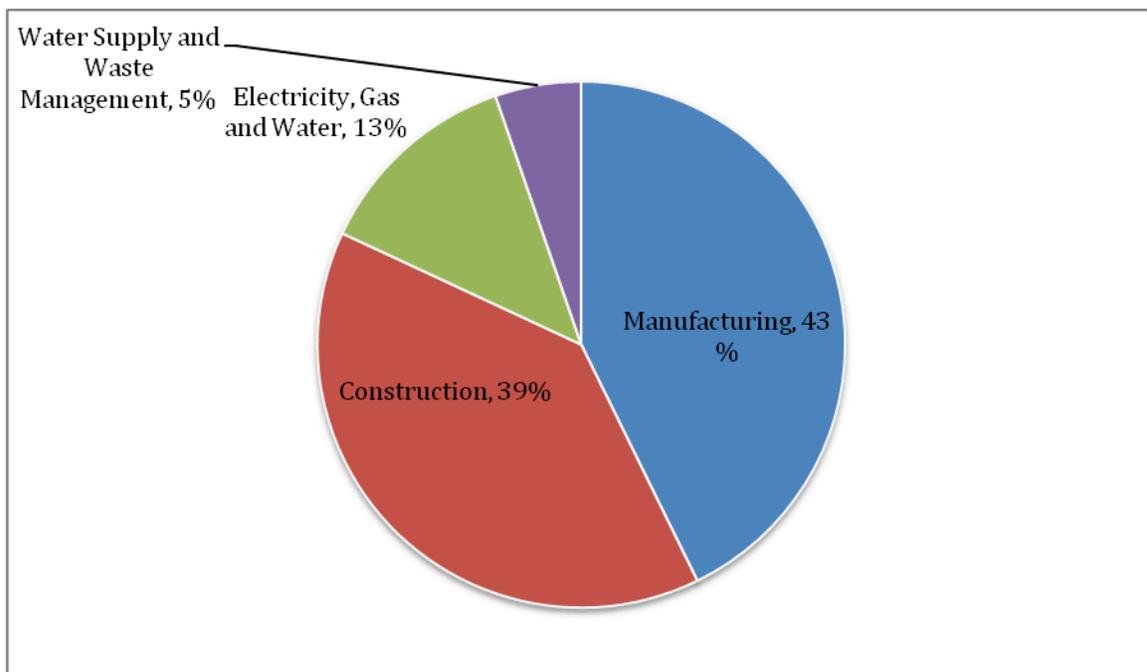


About half of the registered businesses in Batangas are in wholesale and retail trade. This subsector of services is composed of businesses such as sari-sari stores; convenience stores and groceries; hardware and auto supply shops; water refilling stations; and retailers of food, dry goods and general merchandise.

Enterprises that provide services activities such as carwash, beauty salons, and printing/publishing constitute about 18% of firms in the city, while the rest are engaged in real estate, accommodation and food services, health and social work, and finance-related activities.

The industry sector, on the other hand, is mainly comprised of businesses engaged manufacturing, construction, electricity, gas and water. The number of enterprises in this sector severely dropped in 2012, but it rose up again to 227 enterprises in 2013, or 3.5% of the total number of registered businesses.

Figure 2. Breakdown of Registered Businesses in the Industry Sector, 2013



The growing number of registered businesses can be attributable to the city government's efforts to create a more conducive enabling environment for business such as reforms that simplify business entry regulations and processes. It is important to mention that prior to 2013, business establishments were given only one permit even if they had more than one line of business. But in 2013, the city government required the application of permits for each line of business resulting to some establishments having multiple permits. This partially explains the upsurge in the number of business registrations in 2013.

Size of Establishments in Batangas City

About 23% of registered businesses in both 2012 and 2013 were new. The total number of new business registrations for 2013 reached a total of 1,350, which is 8% higher than the previous year.

Using data on new business applicants, the study classified firms according to size based on capitalization data as proxy for asset size.⁷ Table 3 shows that majority of firms in Batangas City can be classified as “micro” enterprises with a capital of less than Php3 million. Most of these businesses were also registered as sole proprietorships, which are the easiest type of business to set up, requiring only a minimum amount of capital.

Table 3. Size of New Businesses in Batangas City*

	2012	% to Total	2013	% to Total
Micro (<P3M)	1,213	98%	717	96%
Small (P3M<P15M)	21	1%	24	3%
Medium (P15M<P100M)	3		4	
Large (>P100M)	1		1	
TOTAL	1,238		746	

*Data on the amount of capitalization was not available for all new businesses. The total of 1,238 represents 92% of new businesses in 2012. However, only 51% or 746 of the 1,350 new businesses in 2013 provided data on capitalization, which was the basis for the categorization of businesses according to size for the year.

New Investments in Batangas City

As described in the previous section, capitalization is a good measure of the level of new investment in the city. In Table 4, a closer look at 2012 data (because it is more complete than 2013) shows that the city registered 1,238 new establishments which brought in a total of Php1 billion in new investments, which is measured by the amount of capitalization registered by the firms. The majority of new businesses registered that year belongs to the services sector, generating more than a third of the total investments in that year amounting to Php348.9 million. The new investments in services were mostly in the real estate subsector, reflecting the booming construction activities in the city. In fact, investments from firms engaged in construction activities (which are classified under the industry sector) contributed another Php217.6 million in new investment to the city.

The average capitalization of newly registered firms in the city is estimated at less than a million pesos, which is consistent with the findings that most of the firms belong to micro enterprises. Across sectors, construction firms recorded the highest average capitalization of about Php8.6 million, followed by those in the real estate sector with Php1.3 million. Both sectors seem to be driving the investment growth in the city with a combined total capitalization of Php332 million or a third of the total amount of capital from new investments in 2012.

⁷Only firms with data on capitalization were included in the analysis.

While the number of new business registration was mostly in the services sector, particularly those in the wholesale and retail trade subsector, their registered capitalization at Php61.9 million. Most of the firms in the sector has a capitalization of Php20 million.

Table 4. Amount of Capitalization of New Businesses in Batangas City, by Sector, 2012 (in Philippine Pesos)

	Number of Enterprises	Total Capitalization	Average/Mean Capitalization
Agriculture	3	300,000	100,000
Industry	32	217,600,000	6,800,000
Construction	25	215,000,000	8,600,000
Others	7	2,000,000	285,714
Services	1,203	348,870,000	290,000
Wholesale and Retail Trade	641	61,856,500	96,500
Accommodation and Food Services	136	14,756,000	108,500
Real Estate	90	117,000,000	1,300,000
Other Services	85	8,032,500	94,500
Health	50	19,100,000	382,000
Total	1, 238	1,002,515,000	809,785

Type of New Businesses in Batangas City

As described above, most of the new registered firms in the city belonged to the micro enterprise category. The majority of new businesses in 2012 were also registered as sole proprietorships (87%). This was observed across all sectors and subsectors (refer to Table 5).

In the sectors that reported the biggest capitalizations (i.e. construction and real estate), the type of firms that registered in the city are reportedly single proprietors, contrary to expectations that only corporations have large capitalization.

Table 5. New Businesses Registered in Batangas City, by Sector and Type, 2012

	Number of Enterprises				
	Sole Proprietorship	Partnerships	Cooperatives	Corporations	Total
Agriculture	3	0	0	0	3
Industry	30	0	0	2	32
Construction	23	0	0	2	25
Other industry sectors	7				
Services	1,046	2	1	154	1,203
Wholesale and Retail Trade	552	2	1	86	641
Accommodation and Food Services	115	0	0	21	136
Real Estate	81	0	0	9	90
Other Services	74	0	0	11	85

	Number of Enterprises				
	Sole Proprietorship	Partnerships	Cooperatives	Corporations	Total
Health	47	0	0	3	50
Total	1,079	2	1	156	1,238

Local Production in Batangas City

As discussed, gross sales or the income received for goods and services produced over some period of time of a business maybe a proxy for level of local production or local economic activity.

Using 2012 data, total sales produced by firms numbering about 4,191 in Batangas city reached Php261.6 billion (refer to Table 6). Close to a third of sales were attributed to firms in the services sector, which accounts for 97% of the total businesses in the city. However, among the subsectors, the biggest sales was generated by the power sector contributed about Php42 billion or 16% of total sales in the city for the year. In addition, “other services”, which posted gross sales of Php72.2 billion, was attributable to the Php66 billion sales of Shell Pilipinas (power plant operations and maintenance) and Php3 billion sales of Siemens Power (on-shore gas plant operations), both of which were classified under this sub-sector. It is clear that the power industry makes a significant contribution to the economic activity in Batangas City.

**Table 6. Gross Sales of Registered Firms in Batangas City, by Sector, 2012
(In Php'000)**

	Number of Enterprises	Total Gross Sales	Average Gross Sales*
Agriculture	36	129,600	3,600
Industry	91	47,957,000	527,000
Construction	45	967,500	21,500
Manufacturing	29	4,718,300	162,700
Electricity, Gas	14	42,000,000	3,000,000
Services	4,065	84,145,500	20,700
Wholesale and Retail Trade	2,002	7,407,400	3,700
Other Services	734	72,152,200	98,300
Real Estate	417	209,751	503
Food and Accommodations	316	1,074,400	3,400
Health	218	893,800	4,100
Total	4,192	261,655,451	62,417

Table 7 shows that the majority of existing enterprises that renewed their business registrations in 2012 and 2013 were sole proprietorships with gross sales under Php3 million. This is similar to the profile of new businesses presented in the previous section.

Table 7. Gross Sales of Business Registrants in Batangas City, by Type of Business, 2012

	<3M		3M<15M		15M<100M		>P100M		Total	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Sole Proprietorship	3,216	3,827	88	93	26	93	1	30	3,331	3,958
Partnership	13	15	0	0	0	0	0	0	13	15
Corporation	464	540	209	237	93	124	37	47	803	948
Cooperative	20	25	17	13	8	13	0	2	45	41
Total*	3,713	4,407	314	343	127	156	38	79	4,192	4,962

* Data on gross sales/receipts was available for 95% and 99% of businesses that renewed their permits in 2012 and 2013, respectively.

2. Gender Analysis

Enterprise Ownership by Men and Women⁸

As explained earlier, the present unified form for business registration does not have fields that will indicate the gender of the owners/presidents or treasurers of the business firm. Other data sources such as SEC, DTI and CDA registration forms were resorted to in order to complete the gender analysis. In the gender analysis for Batangas City, the data used correspond to 80% of all registered businesses, which had sex-disaggregated information.

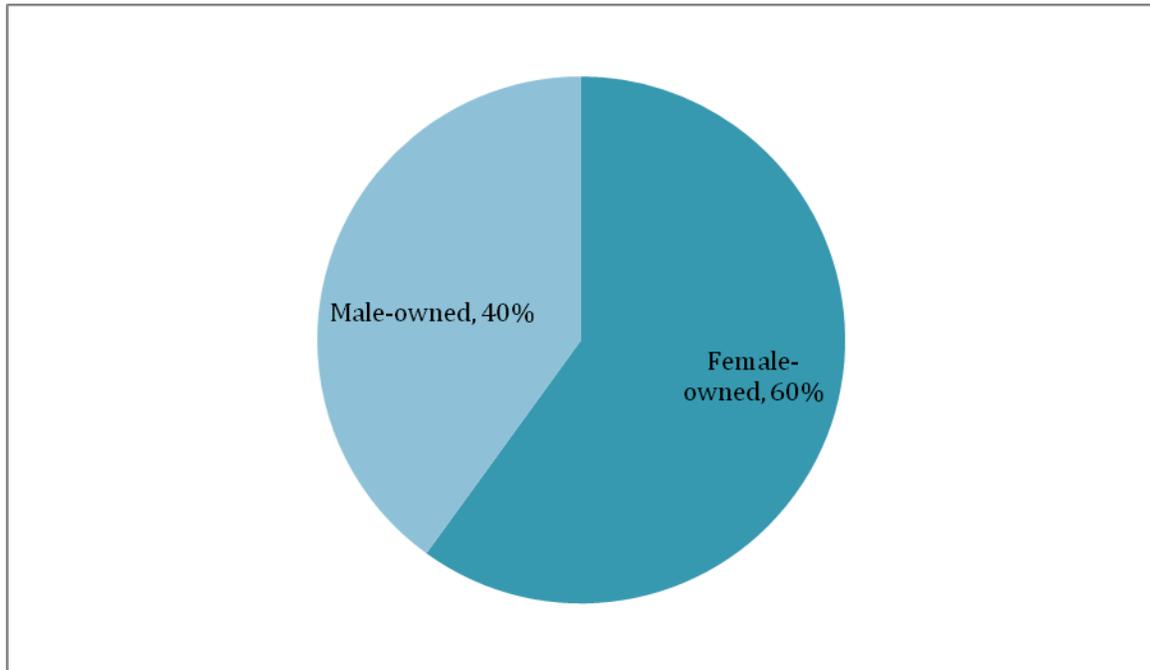
Based on the data analyzed, almost 60% of businesses (new and renewal) in Batangas City during the years 2012 and 2013 were registered by women, i.e. are either women-owned or managed (Table 8).

Table 8. Number of Business Establishments in Batangas City, by Sex of Owners/Presidents, 2012-2013

	Type of Application				Total		% Total	
	New		Renewal		2012	2013	2012	2013
	2012	2013	2012	2013				
Male	431	450	1,469	1,649	1,900	2,099	41	41
Female	739	731	1,986	2,343	2,725	3,074	59	59
Total	1,170	1,181	3,455	3,992	4,625	5,173	100	100

All registered businesses with sex-disaggregated data were found to be sole proprietorships, with the names of the proprietors clearly indicated in the business registration forms (Figure 3).

Figure 3. Type of Establishments, by Gender of Owners/Presidents, 2012 and 2013



As described above, most of the businesses registered in Batangas city belong to the services sector, particularly in the wholesale and retail trade sector. This is reinforced in Table 9, which disaggregates the number of business establishments, by the sex of the President or owner of the firm. In both 2012 and 2013, there are more female-headed micro firms than men-headed micro firms by 75% in 2012 and by 46% in 2013.⁹ According to Global Entrepreneurship Monitor (Philippine Report in 2007), one out of five Filipinos (about 20%) or about 10 million adult Filipinos are engaged in early stage entrepreneurial activity. Interestingly, women are more active in starting a business than men, comprising 51% of new business owners. Data, however, suggests that as women start a business, the husband takes on full-time involvement until the business has stabilized. Women predominantly own nascent (beginning or budding) enterprises (69%), while men own established businesses (66%).

⁹Note that data for 2013 covers January to October only.

Table 9. Number of Business Establishments, by Amount of Capitalization and by Sex of Owners/Presidents*

Category of Business Establishment	2012		2013	
	Male	Female	Male	Female
Micro (<Php3M)	381	669	229	336
Small (Php3M<Php15M)	7	11	4	6
Medium (Php15M<Php100M)	1	2	-	-
Large (>Php100M)	0	1	-	-
No answer	42	56	217	389
Total	431	739	450	731

*Based on data from new business registrants

Economic Contribution of Men and Women in Production

Most of the establishments with sex-disaggregated information had gross sales of less than Php3 million. Using data for 2013, the average gross sales/receipts of 2,253 female-owned enterprises (in the “less than Php3M” category as this is where the majority lies) was about Php220,000, while for the 1,559 enterprises that are male-owned, the average was higher by about 40% at Php308,000.

It is also interesting to note that the sub-sectors that registered the highest gross sales for female-owned enterprises (“less than Php3M” category) were transportation and education, while for the male-owned enterprises in the same category it was agriculture and construction.

In general, men and women are equally involved in all lines of businesses, with wholesale and retail trade as the top economic activity.

Table 10. Gross Sales of Business Establishments in Batangas City, by Sex of Owners/Presidents, 2012-2013

Gross Sales/Receipts	2012		2013	
	Male	Female	Male	Female
Less than Php3M	1,345	1,870	1,559	2,253
Between Php3M and Php15M	48	39	51	40
Between Php15M and Php100M	11	13	13	14
Greater than Php100M	1	0	7	1
No answer	64	64	19	35
Total	1,469	1,986	1,649	2,343

Investment by Men and Women

A closer look at new businesses registered by male and female entrepreneurs show that men-owned enterprises, especially those in wholesale and retail, enjoy a higher level of capitalization (on the average) than those managed or owned by women. This is especially apparent in the 2013 data where the average capitalization of the 249 male-owned wholesale/retail enterprises was at Php220,000, while the 464-strong female-owned enterprises in the same line of business only averaged a capitalization of Php65,000.

The opposite is observed in food service activities where the number of women-led food-related enterprises were not only greater in number (almost double than that of men), but they also registered a higher average capitalization in both years.

Table 11. Average Capitalization of Top Three Male-Headed Businesses

Line of Business	Number of Businesses		Average Capitalization (inPhp)	
	2012	2013	2012	2013
Wholesale and retail trade; repair of motor vehicles and motorcycles	233	249	100,000	220,000
Other service activities	19	72	45,000	320,000
Real estate activities	38	39	960,000	1,160,000
Food services activities*	46	38	82,000	45,000

*Accommodation was removed because majority of the businesses were food-type

Table 12. Average Capitalization of Top 3 Female-Headed Businesses

Line of Business	Number of Businesses		Average Capitalization (In Php)	
	2012	2013	2012	2013
Wholesale and retail trade; repair of motor vehicles and motorcycles	389	464	100,000	65,000
Other service activities	55	72	94,000	145,000
Food services activities*	74	79	103,000	128,000

*Accommodation was removed because majority of the businesses were food-type

In the case of existing businesses that renewed their registration, higher average gross sales/receipts were observed in male-owned enterprises. In terms of the number of enterprises, however, there were generally more female-owned businesses compared to males. This tells us that the male-owned enterprises, while less in number, are operating at a larger scale and are contributing more significantly to local economic activity. This is similar to the trend observed in new business as discussed earlier.

Table 13. Average Gross Sales/Receipts of Top 3 Male-Headed (Business Renewals)

Line of Business	Number of Businesses		Average Gross Sales/Receipts	
	2012	2013	2012	2013
Wholesale and retail trade; repair of motor vehicles and motorcycles	668	725	P690,000	P1,340,000
Other service activities	304	304	P2,000,000	P1,860,000
Real estate activities	171	200	P300,000	P270,000

Table 14. Average Gross Sales/Receipts of Top 3 Female-Headed (Business Renewals)

Line of Business	Number of Businesses		Average Gross Sales/Receipts (inPhp)	
	2012	2013	2012	2013
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,130	1,365	545,000	414,000
Other service activities	229	264	380,000	1,400,000
Real estate activities	220	244	306,000	261,000

In summary, men-owned enterprises do not necessarily enjoy a higher level of capitalization (on average) than those managed or owned by women. This may be true in some sectors like wholesale and retail, but for other sectors like food, women-owned enterprises are not only greater in number but also have higher capitalization. This means women-owned enterprises bring a higher level of investment to the food sector in Batangas.

Because they registered higher gross sales, it can be said that male-owned enterprises, while less in number, are operating at a larger scale and are contributing more significantly to local economic activity

B. ILOILO CITY

Iloilo City, one of the major urban centers in the Philippines, is a popular convention and meeting destination, with many first class accommodations and an international airport. The city also serves as the gateway to the region and is a favorite stopover for tourists heading to the beaches of Boracay, Palawan and the nearby provinces of Guimaras, Antique, Capiz, and Aklan.

Even during the Spanish and American colonial period, Iloilo City was an important trading post. It has a beautiful harbor with serene and calm waters that can be safely navigated because it is protected from the open sea by Guimaras Island. Its excellent port facility made the city the center of trade at the turn of the century, especially during the heyday of the sugar industry. In fact, Iloilo was hailed “Queen City of the South” for being the Philippine’s second city, after Manila.¹⁰

Today, Iloilo City is one of the highly urbanized cities of the country, with a population of 424,619 and a 1.8% population annual growth rate (2010 Census of Population and Housing). And over the last few years, multi-billion investments in key areas such as education, tourism, services, and agro-processing have transformed Iloilo City as one of the country’s major growth centers.

According to the 2012 Cities/Municipalities Competitiveness Report, Iloilo City is the second most competitive city in the country. It ranked 1st in terms of government efficiency (one of the 3 key indicators of the report), besting 121 other cities in terms of transparency and accountability, public finance, performance recognition, business responsiveness and basic government services. With more urban cities covered, the 2014 competitiveness report, Iloilo’s ranking slid to 6th but the city still ranked high in government efficiency. Other factors that make the city attractive to investors are city/province’s young, highly educated workforce and reliable infrastructure.

Economic Profile of Business Firms

As with many Philippine cities, the majority of businesses in Iloilo are in the services sector, with wholesale and retail and accommodation and food services as the top two sub-sectors (refer to Table 15). This is not surprising given the city’s efforts to establish itself as a venue for national and international conferences and events and the center for commerce, trade, finance, recreation, education, tourism, and regional governance.

It is also interesting to observe a few businesses in the agriculture sector (which includes agriculture, forestry and fisheries) in 2013, especially since there have been no enterprises recorded as having registered in this sector as far back as 2008. Given the city’s (and province for that matter) abundant agricultural resources (both on land and in the water), it is also highly likely that many of businesses in wholesale and retail as well as in other services involve agri-based products.

While it does not comprise a large segment of the services sector, the 25% increase in registered businesses in the health sub-sector is significant to mention because these

¹⁰ Reference: www.exploreiloilo.com

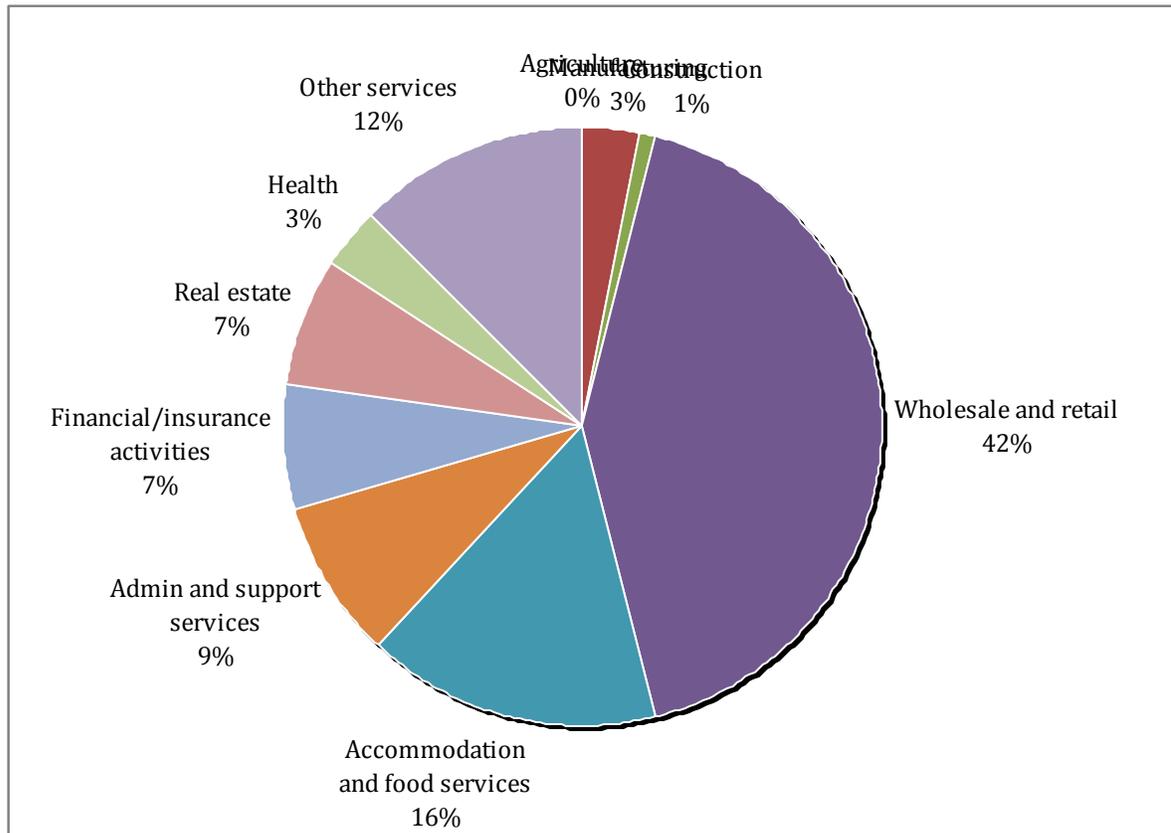
types of shifts in the business landscape are important indications of potential growth areas, which in turn represent changes in the kinds of services required/being demanded by the city.

Table 15. Total Number of Business Registrations in Iloilo City by Sector, 2013

Sector/Sub-sector	
1. Agriculture	17
2. Industry	577
Manufacturing	347
Construction	113
3. Services	11,956
Wholesale and retail trade	5,261
Accommodation and food services	1,963
Administrative and support services	1,057
Financial and insurance activities	859
Real estate	860
Health	410
TOTAL	12,550*

*There is some discrepancy between this total and the official figure of 10,710 reported by the Iloilo City's Business Permit and Licensing Division. This is due to some problems with the city's database that made it difficult to reconcile the business registration records of 2013 and also that of previous years.

Figure 4. Breakdown of Registered Businesses, 2013



Investment of New Business Registrants in Iloilo City

Data provided by the city government on new business registrations as of October 2013 show new business registrants totaling 791 establishments, the bulk of which belong to the services sector (95%) and almost a third in the wholesale and retail trade subsector (Table 16).

As earlier discussed, the amount of capitalization can be an indication of investment inflows into the city. Based on the data from the city government, total capitalization of the 791 newly registered firms amounted to Php321 million, indicating the amount of prospective investment that is being plowed into the city during the period. About 82% of the total capitalization was accounted for by the services sector. The subsectors with the highest prospective investment, ranked according to the amount of capitalization, include wholesale and retail trade (Php70.5 million), accommodation and food services (Php52.2 million), construction (Php38.0 million), financial and insurance activities (Php33.2 million) and administrative service (Php27 million). Among these sectors, construction reported the highest average capitalization of the new registered firms of about Php1.9 million. In contrast, average capitalization of the new firms in the services sector is estimated at Php360,000. Construction, especially of building and high rise structures

requires huge capitalization and the rise of new firms in the construction sector reflects the rapid development of the city seen in recent years.

**Table 16. Amount of Capitalization of New Businesses, by Sector, 2013
(In Php'000)**

Sector/Sub-sector	No. of Enterprises	Total Capitalization	Ave. Capitalization
1. Agriculture	0		0
2. Industry	33	48,100	1,300
Manufacturing	13	4,550	350
Construction	20	38,000	1,900
3. Services	758	272,880	360
Wholesale and retail trade	235	70,500	300
Accommodation and food services	141	52,170	370
Administrative and support services	100	27,000	270
Arts, entertainment, recreation	50	6,500	130
Health	99	16,830	170
Financial and insurance activities	39	33,150	850
Real estate	16	15,040	940
TOTAL	791	320,980	404

Size of New Business Establishments

As earlier discussed, the amount of capitalization of firms is used in the study as proxy for financial assets to infer the size of new business establishments registering for business permits. In the case of Iloilo City, Table 17 below shows that the majority of the new businesses in 2013 had capital of less than Php3 million, which categorizes them as micro enterprises.

Table 17. Size of New Businesses in Iloilo City, 2013*

Amount of Capitalization	2013	% to Total
Micro (<P3M)	775	98%
Small (P3M<P15M)	15	2%
Medium (P15M<P100M)	1	
Large (>P100M)	0	
TOTAL*	791	

Based on data on capitalization, was available for almost all registered businesses. Only 4 new businesses in 2013 were unable to provide data.

Type of New Registered Businesses in Iloilo City

Most of the new firms described above were registered as sole proprietorships, and are classified as microenterprises (refer to Table 18). Even corporations and partnerships

that registered during the period had capitalization of less than Php3 million. Only 16 new firms recorded a capitalization higher than Php3 million.

Table 18. Number of New Businesses by Type of Business and Amount of Capitalization, 2013

	Micro (<P3M)	Small (P3M<P15M)	Medium (P15M<P100M)	Large (>P100M)	Total
Sole Proprietorship	615	6	0	0	621
Partnership	15	0	0	0	15
Corporation	144	9	1	0	154
Cooperative	1	0	0	0	1
Non-Profits*	0	0	0	0	0
Total	775	15	1	0	791

* Refers to foundations or non-government organizations

Local Production in 2013 in Iloilo City

Analyzing the gross sales of existing enterprises by line of business provides decision-makers with insights on the dynamism of the city's key sectors and industries. In the case of Iloilo City, data on the amount of capitalization (akin to the initial investment made by businesses when they first set up shop) was also available for existing businesses. This allowed the study to provide a breakdown of the existing enterprises by size (i.e. micro, small, medium and large) as shown in Table 19.

In 2013, the city government reported a total of about 10,770 business firms that have renewed their business permits as of October of that year. Of this number, about 95% belong to the services sector, and more than half of this belongs to the wholesale and retail trade and to the food and accommodations subsectors. Most of those in the services sector are microenterprises, with only about 5% classified in the small, medium and large enterprises.

Total gross sales/receipts from renewing business enterprises amounted to Php 51.1 billion for the period. The major sector contributors to this amount include: (1) wholesale trade (41.1%); (2) manufacturing (19.45); (3) electricity and gas (11.7%); (4) food and accommodations (7%); and (5) financial services (6.4%). Average gross sales are highest in the electricity/gas and in the manufacturing sectors with Php58.6 million and Php33.1 million, respectively.

Table 19. Number and Gross Sales of Registered Businesses in Iloilo City by Size of Establishments and by Sector, 2013*

	Number of Enterprises					Gross Sales* (in Php'000)	
	Micro	Small	Med	Large	Total	Total	Average
Agriculture	13	3	0	0	16	169,600	10,600
Industry	437	37	12	2	488	17,080,000	35,000
Manufacturing	281	12	7	0	300	9,930,000	33,100
Construction	61	18	3	0	82	902,000	11,000
Electricity, Gas	93	6	1	2	102	5,977,200	58,600
Services	9,719	443	83	21	10,266	33,877,800	3,300
Wholesale and Retail Trade	4,411	124	21	3	4,559	20,515,500	4,500
Food and Accommodations	1,624	60	6	1	1,691	3,551,100	2,100
Other Services	887	9	3	0	899	545,693	607
Real Estate	599	130	26	3	758	1,743,400	2,300
Financial Services	664	12	15	13	745	3,278,000	4,400
Total	10,169	483	95	23	10,770	51,127,400	48,900

* Based on 92% of 2013 business renewals data

In the case of Iloilo City, enterprises that were non-profit in nature such as foundations and non-government organizations registered themselves as such in their BPLS forms. Thus, while non-profits are not among the four categories under "Nature of Business", it is included in the tables above to more accurately reflect the data available.

As shown in Table 20 below, majority of businesses in Iloilo City are micro and small and they are registered as sole proprietorships. This trend is similar to Batangas City and perhaps in the whole Philippines.

Table 20. Number of Business Renewals by Type of Business and Amount of Gross Sales/Receipts, 2013

	Micro (≤P3M)	Small (P3M<P15M)	Medium (P15M<P100M)	Large (>P100M)	Total
Sole Proprietorship	7,247	144	16	0	7,407
Partnership	110	2	0	0	112
Corporation	2,718	327	72	23	3,140
Cooperative	80	10	7	0	97
Non-Profits*	14	0	0	0	14
Total	10,169	483	95	23	10,770

* Refers to foundations or non-government organizations

Caselet: Sample Employment Data from 2013 Iloilo City Business Renewals

While data on employment was limited, the study took the data that was available to derive some interesting observations.

The following information was culled from employment data supplied by 48% of Iloilo City businesses that renewed their registration in the year 2013. This data set includes approximately 5700 enterprises and almost 65,000 jobs:

- The wholesale and retail trade subsector accounts for some 32% of local employment, followed by food/accommodation and financial services, where each accounted for about 13% of total employment.
- 83% of the businesses employ 1-9 staff/personnel.
- 89% of the businesses that employ 1-9 staff (or 75% of the total) are classified as micro-enterprises (based on their amount of capitalization)
- There are about 600 micro-enterprises (capitalization of less than Php 3 million) that employ 10-99 staff. If number of employees were to be used as basis for categorization, these businesses would be classified as small, not micro
- On the other hand, there are about 150 small enterprises (capitalization between Php 3 and 15 million) employing only 1-9 staff.
- One medium-sized enterprise (a call center) is employing over 1400 staff. According to DTI definition, medium enterprises employ only 100-199 employees. This may be an example of an exception given the nature of the business.

C. CAGAYAN DE ORO CITY

Cagayan de Oro City, often called CDO for short, is located at the northern coast of Mindanao. It is the capital of the Province of Misamis Oriental and is the regional center for Northern Mindanao (Region 10). The city's economic growth continues to exceed those of the other regions in Mindanao. Fueling the region's growth is CDO's economic dynamism, government efficiency and appropriate infrastructure.

This fast-growing city of over 600,000 people provides easy access to an enormous concentration of markets in Northern Mindanao: the Mindanao Container Terminal (MCT) facilitates direct and cost-efficient movement of containerized cargoes to Manila, Cebu and international shipping hubs; the multi-berth Cagayan de Oro Baseport handles inter-island passenger travel with connectivity to the country's nautical highway and the logistics corridors of Mindanao; Laguindingan Airport services air logistics requirements, while an extensive road network leads to and from the major production areas and markets of Mindanao; the expansion of the MCT and Filinvest Development Corporation (FDC) Power Plant will consolidate CDO's position as the largest logistics center in Southern Philippines. Complementing the logistics infrastructure of Cagayan de Oro is the rapid modernization of the city's telecommunications infrastructure, transforming the city into a business center and international logistics and telecommunications hub of the south.¹¹

Out of the 122 cities and 163 municipalities included in the 2012 Cities/Municipalities Competitiveness Report, Cagayan de Oro City was ranked the most competitive city overall and the second most competitive city in the 2014 report.¹² While more than half of the top 50 cities and top 50 municipalities are located in Luzon, it is interesting to note that the highest-ranked city and municipality (San Francisco, Agusan del Sur) were both in Mindanao. The results indicate that government initiatives to harness the potential of the Mindanao region are on the right track.¹³

The city's economic growth potential has also been recognized world wide: the city has recently been named an "emerging city of tomorrow" in this year's World Urban Forum in Colombia organized by the United Nations Human Settlements Programme (UN Habitat).¹⁴

CDO is the growth driver of Northern Mindanao (Region 10), whose expansion in gross regional domestic product (GRDP) has been exceeding those of the other regions in Mindanao. In 2012, the region's gross regional domestic product (GRDP) was P240 billion, up by 7.4 percent compared to its 5.8 percent growth in 2011. This was largely due to the acceleration of the industry and services sectors, which rose by 9.2 percent

¹¹ <http://lifestyle.inquirer.net/160399/why-un-habitat-named-cdo-an-emerging-city-of-tomorrow>

¹² CDO was also ranked most competitive in the same survey in 2013.

¹³ <http://www.competitive.org.ph/stories/647#sthash.twr2WD8p.dpuf>

¹⁴ CDO is the only Philippine city on the list, which includes Hunchun, China; Johor Bahru, Malaysia; Malmo, Sweden; Nampula, Mozambique; Onitsha, Nigeria; Santa Marta, Colombia; Tetouan, Morocco; and Uberlandia, Brazil.

and 9.0 percent, respectively. Agriculture stepped up by only 2.4 percent, contributing 28 percent to the region's economy.¹⁵

1. Economic Analysis

Economic Profile of Business Firms

The total number of firms in CDO reached 18,282 in 2013. Similar to Batangas and Iloilo cities, the majority of registered businesses in CDO belong to the services sector (Table 21). About 44% of the firms in the sector belong to the wholesale and retail trade sector.

Table 21. Number of Business Registrations in CDO, 2012-2013

Sector/Sub-sector	2012	2013
1. Agriculture	19	403
2. Industry	1,013	823
Electricity, Gas and Water	433	
Construction	291	406
Manufacturing	281	417
3. Services	16,581	17,576
Wholesale and retail trade	8,317	7,810
Accommodation and food services	2,558	2,459
Other support services	1,685	4,620*
Real estate	1,223	-
Financial and insurance activities	852	851
Administrative and support services	573	-
Transportation and storage	350	-
TOTAL	17,613	18,282

* Covers all types of services

Type of Establishments in CDO

In terms of the nature of businesses in CDO, about three-quarters of all registered businesses in 2012 and 2013 are sole proprietorships. The rest are mainly corporations and only a handful of the enterprises are partnerships and cooperatives. This same trend is observed in both years.

¹⁵ <http://lifestyle.inquirer.net/160399/why-un-habitat-named-cdo-an-emerging-city-of-tomorrow>

Table 22. Number of Business Registrations by Type of Business, 2012-2013

	2012	% to Total	2013	% to Total
Sole Proprietorship	13,087	74	13,195	76
Partnership	104	1	143	1
Corporation	4,249	24	4,753	26
Stock	4,112	-	4,538	-
Non-Stock	137	-	215	-
Cooperative	168	1	184	1
Not Indicated	5	-	7	-
TOTAL	17,613	100	18,282	100

Size of Business Establishments in CDO

Data on the amount of capitalization of new business in CDO was only available for 2013. Thus, the number of employees became the basis for categorizing new businesses into micro, small, medium or large. As expected, a great majority (97%) of registered businesses are micro or employ less than 10 employees (refer to Table 23).

Table 23. Size of New Businesses in CDO*, 2012-2013

	2012	% to Total	2013	% to Total
Micro (0-9 employees)	2,744	97	3,407	97
Small (10-99 employees)	69	3	94	3
Medium (100<199 employees)	2	-	1	-
Large (>200 employees)	0	-	1	-
TOTAL	2,815	100	3,503	100

*Size categorization is based on the number of employees

For purposes of comparison, new businesses registered in 2013 were also categorized according to size using capitalization as basis. The findings are similar to Table 23, which shows that the majority of new businesses registered in the city are microenterprises (refer to Table 24).

Table 24. Size of New Businesses in CDO, 2013*

	2013	% to Total
Micro (<P3M)	3,137	98
Small (P3M<P15M)	54	2
Medium (P15M<P100M)	5	-
Large (>P100M)	2	-
Total	3,199*	100

*Size categorization is based on capitalization; Some 9% of new businesses in 2013 did not report their amount of capitalization

New Investments in CDO in 2013

As with the two other INVEST partner cities, the study looked at the amount of capitalization that new businesses were “investing” in key sectors/industries of CDO.

The total capitalization brought in by the 2,538 new establishments in 2013 reached about Php1.0 billion (Table 25). The sectors which reported huge capitalization include (1) construction (Php340 million); (2) wholesale and retail trade (Php278 million); (3) accommodation and food services (Php253 million); and (4) financial and insurance services (Php 117 million). On the average, construction and financial services are bringing into the city relatively higher investment on a per establishment basis. While there are many new registered businesses belonging to the wholesale and retail trade sector, their initial capitalization is generally small (Php150,000 on the average).

Investments in agriculture and its related activities are small compared to the other two sectors. CDO is vying to be a hub for agricultural products, which are grown outside the city. However, if the city is looking at agribusiness as its local economic strategy to fuel growth, it should explore ways to attract more investment (either through new business or expansion of existing ones) to this sector.

Finally, because of its booming business process outsourcing (BPO) sector, 5 Information and Technology (IT) parks and 2 IT buildings, data on IT Services (which would normally fall under Administrative and Other Support Services) was extracted to determine the level of investment being made by these types of business. Data from the BPLS forms show that in 2013, there were 42 new business in IT Services, which invested an average of P190,000 as their initial capital.

While these figures may not reflect the entire investment made in the BPO sector, monitoring the growth of IT-related businesses over time can also provide a good indication of this sector’s potential as a driver for economic development.

**Table 25. Amount of Capitalization of New Businesses by Sector, 2013
(In Php'000)**

	Number of Enterprises	Capitalization (Php'000)	
		Total	Average/Mean
Agriculture	46	3,450	75
Industry	150	360,000	2,400
Construction	71	340,800	4,800
Manufacturing	79	19,750	250
Services*	2,342	680,620	3,010
Wholesale and Retail Trade	1,640	278,800	170
Accommodation and Food Services	540	253,800	470
Financial and Insurance Activities	67	117,250	1,750
Health	53	22,790	430
IT Services	42	7,980	190
Total	2,538	1,044,070	5,485

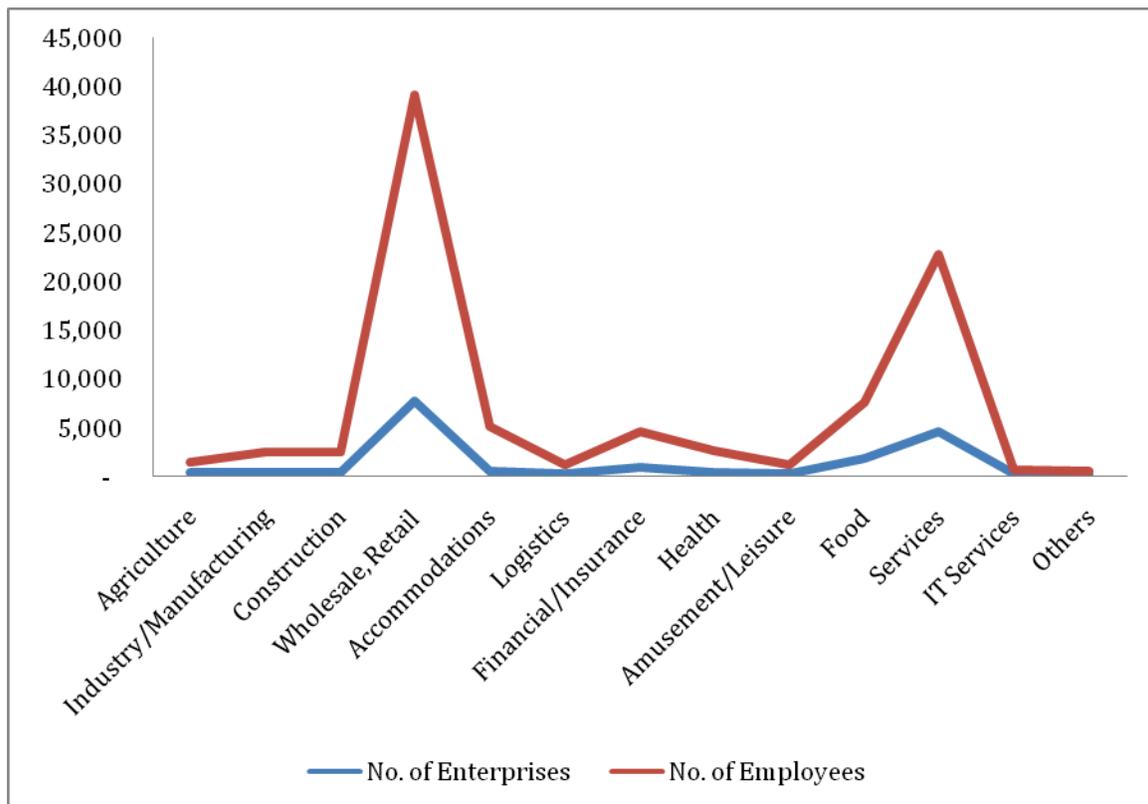
* Incomplete information on Services sector; the total number of new establishments may be understated.

Employment by sector

In the same way that gross sales of existing businesses is a good measure of local productivity, the level of employment is a relevant indicator of an economy's performance. Usually a robust economy, which produces goods and services at a fast pace, will require people at factories and service establishments. Hence, the demand for jobs in an LGU can be gauged from a locality's employment level.¹⁶

Because the data was available in CDO, the study looked at employment shares by sector/sub-sector and compared it to the number of total registered enterprises in the same sector/sub-sector. The line graph below show a proportional relationship between the numbers: Wholesale/Retail and Services, composed of about 7,800 enterprises, employed almost 40,000 individuals, accounting for about 42% of total employment provided by registered enterprises. Similarly, the roughly 2500 enterprises in the Food and Accommodation Services industry employ close to 13,000 individuals.

Figure 5. Number of Enterprises and Number Employed by Sector/Sub-Sector



Further analysis of the employment data of these businesses reveals that 97% of sole proprietorships employ 0-9 employees, categorizing them as micro enterprises. Similarly, about 80% of registered corporations (on average for 2012 and 2013) employ less than 10 employees.

¹⁶ 2014 Cities and Municipalities Competitiveness Index: Manual of Operations for the Regional Competitiveness Committees, August 2014

2. Gender Analysis

Enterprise Ownership by Men and Women

The gender analysis on business ownership for CDO is made only on 2012 data because it is more complete (in terms of sex-disaggregation of enterprise owners) compared to that of 2013. This is due to efforts by the city to get the names of business owners, especially that of corporations and cooperatives from the SEC, DTI and CDA. Oftentimes, it is only the sole proprietorships that provide the owners name in the BPLS forms; this is the case in Batangas City as well.

Figure 6. Enterprises Owned by Men and Women, 2012

The data below represents almost all registered businesses (99%) in CDO in 2012; it portrays an almost equal share of enterprise ownership between men and women.

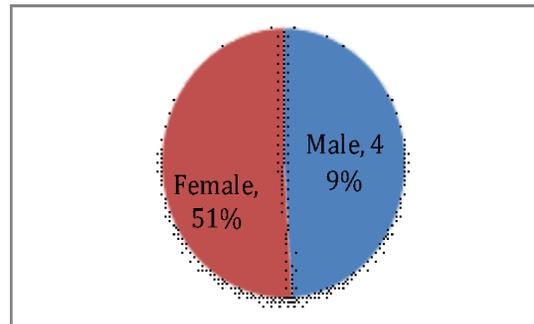


Table 26. Sex-Disaggregated Data on the Number of Business Establishments, 2012

	New	Renewal	Total	% to Total
Male	1,335	7,269	8,604	49
Female	1,480	7,512	8,992	51
Total	2,815	14,781	17,596	100

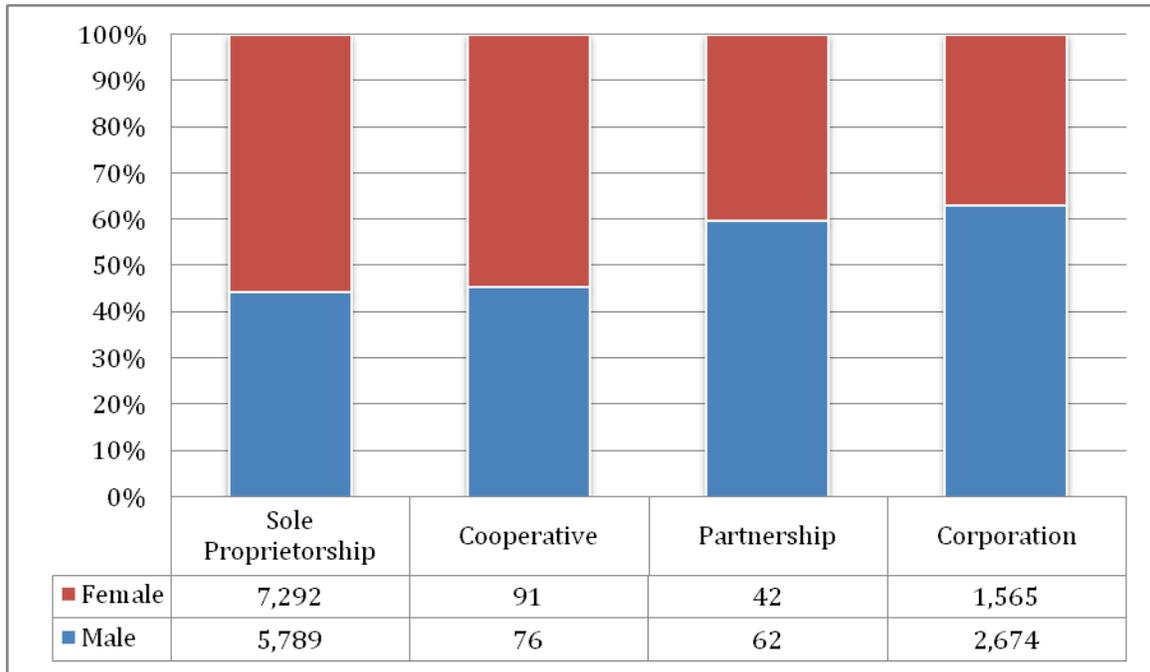
A closer look at the sub-sectors that these businesses operate in shows that there are significantly more men-owned enterprises in the construction, electrical and financial/insurance sectors. On the other hand, there are more enterprises in the food and trade sectors that are owned or managed by women. This is consistent with the findings of the 2007 Global Entrepreneurship Monitor (GEM) report discussed earlier.

	Male-owned	Female-owned
Construction	208	82
Electrical	138	46
Finance/Insurance	494	359
Food	1,040	1,389
Trade	3,669	4,644

The analysis is limited to only the number of enterprises as there is no data on amount of capitalization or gross sales/receipts for 2012.

In terms of nature of business, more sole proprietorships and cooperatives were registered as owned by women than men. A larger share of partnerships and corporations, however, are owned or managed by men.

Figure 7. Sex-Disaggregated Data on Business Establishments by Type of Business, 2012



IV. Findings and Recommendations

A. General Recommendations

The following trends were observed in the three cities and are presented as areas for possible policy and program development and enhancement that government and/or private sector can further explore as part of their efforts to make cities become more sustainable and competitive growth centers that positively impact their surrounding communities.

MSMEs comprise a large part of the business sector

SMEs account for 99.6 percent of total registered enterprises, according to recent data from the Department of Trade and Industry. In 2011, Philippine SMEs also accounted for 32 percent of the country's GDP. MSMEs also play a big role in the country's employment and job generation. With 3.872 million jobs created in 2011, the sector accounted for 61 percent of the local workforce. This was more than the 2.473 million employment opportunities generated by large enterprises.¹⁷

While the Philippine government has in place a 2011-2016 Micro, Small and Medium Enterprise (MSME) Development Plan which aims to address the key challenges and constraints that continue to prevent the MSME sector from realizing its full potential, the challenge of improving (and measuring) the contribution or output of MSMEs still remains. The recent Senate Bill 2046 or "Go Negosyo Act of 2013", otherwise known as "an act promoting job generation and inclusive growth by providing additional incentives and benefits to micro, small and medium enterprises (MSMEs)", hopes to provide some answers.

Government must ensure that the good intentions of these policies and plans serve their purpose and are transformed into concrete initiatives on the ground.

Protection for sole proprietorships

Sole proprietorships are the most common type/nature of business, possibly because they are the easiest to set up. Sole proprietors, however, have unlimited liability, meaning they can be held liable for all the debts and liabilities of the business. Greater awareness of some measures that business owners running sole proprietorships can take to better protect his/her assets is called for.

Some examples below:

- Purchase business insurance
- Avoid risky business partners. Perform due diligence before engaging in any new business activity

¹⁷ <http://www.philstar.com/business-usual/2014/01/20/1280682/smes-seen-major-economic-growth-driver>

- Avoid using personal items (homes, cars, etc) as collateral to take out business loans
- Follow safety laws and take extra precautions by postings signs, warning customers and making business operations as safe as possible¹⁸

B. City-level Analysis and Recommendations

Each of the three city profiles suggest that gathering and analyzing data on local businesses over time will help city officials make better informed decisions on policies and reforms to pursue in order to attract investment. It was the intent of this study to demonstrate concrete ways of utilizing existing data (such as those found in the BPLS forms) to produce compelling analysis that will trigger action (or at least more in-depth research) to address key challenges faced by cities in their quest to become more competitive. Hence, the following city-level analysis and recommendations arising from some of the key findings of each of the three profiles are offered:

Batangas City

- Among the key sectors in the city, it is in construction and real estate where newly registered businesses in 2012 “invested” in the most. Because new investment will bring about more employment opportunities and increased economic activity, it will be important for the city to (1) track the growth of these sectors, and (2) develop and implement policies to ensure that local community members (i.e., local workers are hired, local suppliers are considered, etc) are economically benefitting from such investments.
- Large corporations in the electricity and gas sub-sector such as First Gas Power Corporation and Shell Pilipinas are significantly contributing to local production of Batangas City. Energy (like water, transportation and communications) is an infrastructure building block that will induce and sustain increased the economic growth of the city over time. Cost of electricity and price of diesel are also major components to doing business and greatly affect investors’ decisions. Given their important role in the area’s current and potential growth, the city government should provide both the appropriate incentives and regulations to ensure the “green” and sustainable growth of these types of businesses.
- The gender analysis on registered business in Batangas City shows that there are numerous women-owned MSMEs operating and investing in the food sector. To encourage greater participation of women (who own 60% of registered businesses in the city) in local economic growth, the city government could explore ways of maximizing its allocated 5% Gender and Development (GAD) budget to enhance women’s access to finance/capital and to markets and deliver customized business training such as financial literacy and awareness trainings. Such support will enable the MSME sector to expand their businesses in the food and in other sectors.

¹⁸ <http://smallbusiness.chron.com/protect-assets-sole-proprietorship-10492.html>

Iloilo City

- The activities of existing businesses (not new) primarily fuel current local economic growth. Thus, systematic efforts to retain and expand businesses that are already operating in the city should be made. As per Iloilo City's business profile, the current centers of productivity are manufacturing, and the electricity and gas sectors. It is recommended that the city support the businesses in these sectors to become more competitive by evaluating and addressing some of their key needs and concerns. The city could also consider providing incentives for existing businesses to upscale.
- Highly productive sectors also provide job opportunities. Related to the point above, it is recommended that the city improve its collection of employment data (especially on the manufacturing and electricity/gas sectors) as this is also a measure of a sector's capital or assets.

Cagayan de Oro City

- The profile shows that agribusiness and agri-related activities in the city are growing, and this is something that the city needs to place close attention to. This is consistent with the emerging observation that Metro CDO is an agribusiness hub which provides direct access to rich agricultural areas of Mindanao: a source of 40% of the country's food and livestock. This strategic position will be especially advantageous in the coming years when food will take the place of energy as the most critical resource in the global economy.¹⁹
- Support for the enterprises in the city's fast-growing BPO/IT sector is another area that the city should continue to invest in. This includes ensuring that the high-level of education (hence, pool of human resource) in the region is sustained to supply the needs of these emerging sectors.
- Many women-owned enterprises are engaged in the trade (wholesale and retail) and food sectors. Similar to the recommendation for Batangas is for CDO to maximize its GAD budget to support women enterprise development initiatives that will have a positive impact to overall local productivity.

C. Gender-related Recommendations

Supporting women-led MSMEs

In a 2007 report, the Global Entrepreneurship Monitor (GEM), the largest single study of entrepreneurial activity in the world, shared the following findings about women in micro, small and medium enterprises:

- Women own six out of ten businesses in the Philippines.

¹⁹ <http://www.mb.com.ph/cdo-gateway-to-southern-philippines/>

- Most of these are micro and small enterprises consisting only of the owner/manager. Often, women microenterprises are into retail trade, food cart vending, home-based processing
- These microenterprises are found with little capital (below US\$250) in activities with low entry barriers.

The same report also showed that the Philippines also had the least gender gap among business owners (55% male, 45% female).

This is why the Philippine cities (and the country as a whole) should develop programs that support women in start-up or small enterprises. Such support should include linking women-led enterprises to national and local service providers (government) and business professionals (private sector) in order to create products and services that will be demanded by the market, i.e. the emerging tourism market of the country, where cities as tourism gateways or service centers play a critical role.

Hindrances/constraints faced by women in microenterprises

While a business-ownership gender gap may not exist in the Philippines, women who own/manage businesses still face a number of challenges:

Family time management was cited by women as a leading hindrance in running their businesses, proportion of women citing this factor as a hindrance in business is high for those in their declining for women in their peak child-rearing years (25 to 34 years old) and declining for those aged 45 and over. Other constraints faced by women in microenterprises are: (1) limited access to credit and capital (the lack of real property to offer as collateral remains a major constraint of women in accessing higher loan amounts relative to men); (2) limited access to value-adding inputs to enterprises (e.g. business development services, social protection, occupational safety and health, technology, training); (3) lack of information on and technical support for potential, higher-value economic enterprises; (4) high transaction costs on business development services and credit, and (5) women's preference to keep operations very small so that it will not interfere with their home and family care.²⁰

D. Data-related Recommendations

The importance of the availability and use of data for sound decision-making and planning by government in order to create an enabling environment for improved competitiveness cannot be overemphasized. Information on the local business sector, and the enterprises that comprise it, is key as the private sector is the driver for economic growth.

While data collection efforts in support of this should not be a tedious nor cumbersome exercise, some standards should be established/followed to facilitate data consolidation and analysis. The following observations were drawn from this study:

²⁰ Source: Why Are we Pursuing Women's Economic Empowerment: A Situation on Philippine Enterprises and Women, August 2012 (Philippine Commission on Women)

Enhancing Capacity for Statistical Data Collection by Cities and Municipalities

The importance of data collection is not very much appreciated at the local level. At this age of big data, it is important for local governments to realize that informed policy making and program formulated will lead to better outcomes. Hence, the newly organized Philippine Statistical Authority (PSA) should be tasked to develop a capacity building program for LGUs so that they will be equipped with the skill to collect and analyze data for their use.

Use of Data from the BPLS Form for Economic Analysis

As shown in the study, the BPLS form which is used by cities and municipalities can be a rich source of information for generating information for proxies on investment and local production which maybe aggregated to get a better picture of provincial and even regional economic performance. The PSA again can be requested to explore this possibility since gross regional domestic product is only computed at the regional level. If cities are engines of growth, then the government should generate better statistics at the city level.

Standardizing the “line of activity” in the BPLS form

LGUs have different ways of classifying businesses according to the nature of the business, which are usually based on the Local Revenue Code. Allowing business applicants to fill out the field on “line of activity” in a form with their own responses will likely lead to a wide array of answers. A good example (in the case of the BLPS form) is “line of business”, where over 100 “lines” or types of businesses were recorded from among the responses. This becomes problematic when data needs to be consolidated and analyzed, i.e. to determine the predominant or growing local industries/sectors in the area, which can give government a better insight on the support they need. Analysis of types of businesses across cities also becomes an impossible task if there is no standard applied.

One way to homogenize form responses is to provide a set of answers that business applicants can choose from. For automated forms, this would be equivalent to a drop-down menu. In the case of “line of business” for this study, the Philippine Standard Industrial Classification or PSIC was used. Note that Quezon City is already formulating its own category of business establishments based on PSIC, which if done by other LGUs will contribute to better data analysis of local economic activity

Improved collection of data required in the BPLS Form

Cities may want to consider collecting the following data through the BPLS form:

- Name, age/age bracket and gender of business owners or presidents/treasurers of corporations and cooperatives – In the case of Iloilo City, the name of the individual who registered the business was captured separately from the name of the business owner.
- For business renewals, in addition to gross sales/receipts, include capitalization amount and year that the business was established – Capitalization is an indicator for local investment, while gross/sales receipt

figures provide an indication of the business' contribution to the output of the local economy. Including these data in the renewal forms saves data processors the effort to checking initial business registration records when the business was first registered. This is particularly important for cities that have not yet automated their systems, making historical information difficult to retrieve.

- Number of employees – Increasingly, more and more businesses are recognizing that value of talented employees: their knowledge, relationships, reputations, and other intangibles that create wealth for the business. Thus, employees should be considered as part of a business' capital or assets, and thus be analyzed as a measure of competitiveness. Collecting this data will also allow analysis of the contribution of different-sized businesses to local employment. It will also provide a more comprehensive insight on the assets of their businesses: the amount of capitalization and the number of employees. (See caselet in Iloilo profile and employment analysis in CDO profile)

Utilizing established international or national standards and definitions

The selection of standards to use will depend on the kind of analysis that a profiling exercise wants to make. While the use of widely accepted standards and definitions in profiling business establishments is recommended, these are not without its limitations.

The use of the PSIC in this study, for example, facilitated the reclassification of businesses to only 21 categories (See Annex 2). While this simplified data consolidation and analysis, the reclassification was a subjective process based on the understanding of those processing the data, and not directly from actual business owners themselves. PSIC categories such as 'wholesale and retail trade activities' and 'other service activities' also do not provide a clear indication of what sectors, i.e. agriculture, manufacturing, etc the businesses belong to.

Integration of value-adding information

During the 2013 business application/renewal period in Cagayan de Oro City, the city did not require the applicants to include the names of the business owners in their BPLS forms, as they did not see the need for it. The Research Assistants that were hired by INVEST had to go to the local Securities and Exchange Commission (SEC) office to collect the names but it was difficult because they had to go through each form.

There is a need to enhance cities' appreciation for data on their local business sector so that this is not perceived as an "added" task but as value-adding exercise that will make their support interventions more responsive and relevant to registered enterprises.

While these suggestions will help improve data consolidation efforts and comparative analysis across cities, what is more important is that the city identify the data that is most useful to it and invest its often limited time and resources to collecting and analyzing this.

Annex 1. Summary of Data Population Sets

Batangas City:

ALL:

	<u>2012</u>	<u>2013</u>
Registered Businesses (B)	5,747	6,500
Registered Businesses with Data on Capitalization/Gross Receipts (B1)	5,430 (94% of B)	5,708 (88% of B)
Registered Businesses with Sex-Disaggregated Data (B2)	4,623 (80% of B)	5,173 (80% of B)

NEW:

	<u>2012</u>	<u>2013</u>
Registered Businesses (N)	1,350	1,469
Registered Businesses with Data on Capitalization/Gross Receipts (N1)	1,238 (92% of N)	746* (51% of N)
Registered Businesses with Sex-Disaggregated Data (N2)	1,170 (87% of N)	1,181 (80% of N)

**Only 51% of 2013 population (N) had data on capitalization*

RENEWAL:

	<u>2012</u>	<u>2013</u>
Registered Businesses (R)	4,397	5,031
Registered Businesses with Data on Capitalization/Gross Receipts (R1)	4,192 (95% of R)	4,962 (99% of R)
Registered Businesses with Sex-Disaggregated Data (R2)	3,455 (79% of R)	3,992 (79% of R)

Iloilo City:

ALL:

	<u>2013</u>
Registered Businesses (B)	12,550
Registered Businesses with Data on Capitalization/Gross Receipts (B1)	11,561 (92% of B)
Registered Businesses with Sex-Disaggregated Data (B2)	2,743 (22% of B)

NEW:

	<u>2013</u>
Registered Businesses (N)	795
Registered Businesses with Data on Capitalization/Gross Receipts (N1)	791 (99% of N)
Registered Businesses with Sex-Disaggregated Data (N2)	151* (19% of N)

RENEWAL:

	<u>2013</u>
Registered Businesses (R)	11,755
Registered Businesses with Data on Capitalization/Gross Receipts (R1)	10,770 (92% of R)
Registered Businesses with Sex-Disaggregated Data (R2)	2,592* (22% of R)

** Majority of businesses registered (new and renewal) have no data on name of business owners, which is the basis for sex-disaggregating the data.*

Cagayan de Oro City:

ALL:

	<u>2012</u>	<u>2013</u>
Registered Businesses (B)	17,613	18,282
Registered Businesses with Data on Capitalization/Gross Receipts (B1)	17,611* (99% of B)	14,607 (80% of B)
Registered Businesses with Sex-Disaggregated Data (B2)	17,596 (99% of B)	12,364 (68% of B)

NEW:

	<u>2012</u>	<u>2013</u>
Registered Businesses (N)	2,815	3,503
Registered Businesses with Data on Capitalization/Gross Receipts (N1)	2,815* (100% of N)	3,199 (91% of N)
Registered Businesses with Sex-Disaggregated Data (N2)	2,815 (100% of N)	1,943** (55% of N)

RENEWAL:

	<u>2012</u>	<u>2013</u>
Registered Businesses (R)	14,798	14,779
Registered Businesses with Data on Capitalization/Gross Receipts (R1)	14,796* (99% of R)	11,408 (77% of R)
Registered Businesses with Sex-Disaggregated Data (R2)	14,781 (99% of R)	10,421** (71% of R)

* No data on capitalization or gross receipts for 2012; the data available is number of employees and this is what was used to determine the size of the business (micro, small, etc)

** Names of business owners available for sole proprietorships only

Annex 2. 2009 Philippine Standard Industry Classification

The Philippine Standard Industrial Classification (PSIC) is a detailed classification of industries prevailing in the country according to the kind of productive activities undertaken by establishments. The 2009 PSIC was patterned after the UN International Standard Industrial Classification (ISIC) Rev. 4, but with some modifications to reflect national situation and requirements. The PSIC was revised to (1) reflect changes in economic activities, emergence of new industries, and the structure of the economy (2) to take into account the new technologies employed which affect the organization of production and shifting of economic activities and (3) to realign with the ISIC revisions for purposes of international comparability.

The PSIC serves as a guide in the classification of establishments according to their economic activity useful for economic analysis.

- It serves as a framework for data collection, processing and compilation to ensure uniformity and comparability of industrial statistics produced by various entities in both government and private sectors, including those involved in statistics and research activities.
- It provides an effective mechanism for the integration of large numbers of statistics being collected for decision-making and policy formulation.
- It serves as a basis in the construction of input-output (I-O) table.
- It provides a basis for anticipating the emergence of new industries

The sections in the 2009 PSIC are as follows:

- Section A – Agriculture, forestry and fishing
- Section B – Mining and quarrying
- Section C – Manufacturing
- Section D – Electricity, gas, steam and air-conditioning supply
- Section E – Water supply, sewerage, waste management and remediation activities
- Section F – Construction
- Section G – Wholesale and retail trade; repair of motor vehicles and motorcycles
- Section H – Transportation and storage
- Section I – Accommodation and food service activities
- Section J – Information and communication
- Section K – Financial and insurance activities
- Section L – Real estate activities
- Section M – Professional, scientific and technical services
- Section N – Administrative and support service activities
- Section O – Public administrative and defense; compulsory social security
- Section P – Education
- Section Q – Human health and social work activities
- Section R – Arts, entertainment and recreation
- Section S – Other service activities
- Section T – Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use
- Section U – Activities of extraterritorial organizations and bodies