

Corporate Social Responsibilities: Application of The 3% Community Development Fund of Cooperatives in Manila

Josephine P. Yopo, CPA, MBA

Department of Accountancy, College of Business and Government Management, Pamantasan ng Lungsod ng Maynila, Philippines

Abstract: *Manila is the country's Capital City. However, in the October 9, 2019 news, City of Manila ranked 3rd that has a lowest quality of life. This pose as a challenge to our government, whether local or national, to alleviate the quality of lives of people. Henceforth, the proponent believes that Manila Cooperatives can be partners of our City's government for this objective.*

Cooperatives under Republic Act 9520 or known as Cooperative Code of the Philippines are mandated to share no less than Three percent (3%) of their net surplus for Community Development called as Community Development Fund (CDF). Communities near the Cooperatives are their immediate beneficiaries. The fund will be applied on community projects that will elevate the lives of people in the community.

The proponent used all Manila Cooperatives registered and in the list of the Community Development Authority (CDA) as of the end of 2017 and 2018.

Cooperatives in Manila can be partners in the Development of the Communities by the City Government. Data also demonstrate that Micro Cooperatives need support to increase their income. However, it may also be necessary to help Large Cooperatives to keep them growing. Continuous cooperative training is required to educate members and officers.

Keywords: *Community Development Fund, Micro Cooperatives, Medium Cooperatives, Large Cooperatives, Small Cooperatives.*

I. Introduction

According to Tim Mazzarol of the University of Australia published on February 2009, "Cooperative enterprise is a unique form of business entity. It is different from the traditional shareholder owned enterprise or investor owned firm, and also the conventional not for profit or non-profit entity".

Cooperative is a set of people with the common interest and voluntarily pool money to form a business. Cooperative is managed and govern by its own members. It is a democratic organization of people because member is only entitled to one (1) vote regardless of number of shares he has.

Cooperatives are the diverse players in the economy. (Capital and the debt Trap Learning from Cooperatives in the Global Crisis, Claudia Sanchez Bajo and Bruno Roelants)

Furthermore, Cooperatives are unique kind of business and their operations is similar with the characteristics of traditional business organizations wherein one of its objectives is to earn profits. However, it is also the goal of the Cooperatives to uplift the economic life of its members who are also part-owners that equally control the establishment and to create employment. (Conceptual Framework on Measurement of Cooperatives and its Operationalization Report Discussed at the COPAC Technical Working Group on Cooperative Statistics Meeting, Geneva, May 2017)

"The Co-Operatives Act of Bhutan, 2001") defines Cooperative as "a voluntary union of people to meet their common economic needs a mutually owned, funded and well administered enterprise".

In reference to Cooperatives and Rural Financial Development, Robobank, it states that cooperatives are definitely essential components of the economy and society in many countries.

Marilyn Scholl stated that "Cooperative ownership is an economic model that can create great benefits for our communities and member-owners. The cooperative model is powerful if we focus proper attention on the owner side of that compound word, "member-owners." (Membership is the Ownership: The Cooperative Advantage by Marilyn Scholl, First published June 2010 Revised version published June 2015)

In the Philippines, RA 9520, Known Cooperative Act of the Philippines, Cooperative is an autonomous and duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve their social, economic and cultural needs and aspirations by making equitable

contributions to the capital required, patronizing their products and services, and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

The sharing and allocation of net surplus of Cooperatives is an essential factor in assessing cooperatives (Mondragon: An Economic Analysis by Henk Thomas and Chris Logan Published in co-operation with The Institute of Social Studies at The Hague, First published in 1982).

Different Cooperatives have their own way of distribution and allocation of their net surplus from operations at the end of every fiscal year and is in accordance with the provision in the By-Laws of a cooperative.

In the case of AUF Multi-Purpose Cooperative presents the distribution of their net surplus in Section 1, Article VI of their By-Laws. Accordingly, its net surplus is distributed as follows:

1. Reserve fund 10% of the net surplus
2. Education and Training Fund 5% of the net surplus
 - a. 50% of 5% of net surplus goes to training fund and
 - b. 50% of 5% of net surplus may be remitted to a union or federation chosen by the cooperative or of which AUFCOOP is a member
3. Optional Fund 2% of the net surplus
4. Community and Development Fund 3% of the net surplus
5. Interest on share and Patronage refund 80% of the net surplus

Chapter X, titled Allocation and Distribution of Net Surplus of the Republic Act 9520 of the Philippines requires Cooperatives registered in the Philippines to allocate and distribute their net surplus in the following manner:

1. Reserve Fund 10% of the net surplus
2. Education and Training Fund 10% of the net surplus
 - a. 50% of 10% goes to education and training fund
 - b. 50% may be remitted to a union or federation
3. Optional Fund 7% of the net surplus
4. Community and Development Fund 3% of the net surplus
5. Interest on capital share and patronage refund 70% of the net surplus

It can be noted that, Cooperatives provide a certain percentage of their Net surplus from operations for the Community Development Fund (CDF) is included in the 30% mandated funds, and part of Members' Equity. This fund decreases as the Cooperatives apply this in any community projects and increases when they make 3% provision from the net surplus.

1.1. Background of the Study

One of the Cooperatives' objectives is Economic development of its members. We may notice that these Cooperatives are mandated by Law to extend their services and support to the communities within the area of their operations by allocating a certain percentage of their net surplus known as "Community Development Fund". Accordingly, this becomes their Corporate Social Responsibility and the nearby communities are their immediate beneficiaries.

"Community Development Fund" must be used on various projects that may alleviate the lives of these people. Projects may include trainings, feeding program, sports clinic, barangay cleaning and beautification and others.

However, do Cooperatives strictly comply with the law? Are they mandated to identify community project every year? Or is there a need to require Cooperatives to submit Audited Annual Community Development Report to assure implementation?

1.2 Statement of the Problem

Generally, the study would like to establish if the three percent (3%) of the net surplus allotted for the Community Development Fund is material and can have a material impact in the improvement of the lives of Manila neighborhoods.

To state the different community projects that cooperatives may take and summarize them into the following categories:

1. Community Sports Development
2. Trainings for Employment
3. Job Creation through Business Generation
4. Family and Home Development
5. Green and Planting

Further, the study would like to specifically answer the following problems:

1. How many Cooperatives are established and in operation in the City of Manila;
2. What are the sizes of the Cooperatives in the City of Manila in accordance to their net assets;
3. What is the CDF distribution rate of Micro, Small, Medium and Large Cooperatives; and
4. How much is the contribution of Manila Cooperatives through its Economic activities.

1.3. Significance of the Study

In the October 9, 2019 news, City of Manila ranked 3rd that has a lowest quality of life. The proponent believes that this study will help Manila Cooperatives identify Community projects to properly apply and maximize the use of CDF in uplifting the lives of Manila residents.

Moreover, the paper seeks to get support from the City of Manila's authorities in keeping the Cooperative profitable.

1.4. Scope and Limitations

This study will focus on Cooperatives located in Manila classified as Micro, Small, Medium and Large in terms of net assets.

II. Theoretical Framework

This chapter presents various literatures and studies from foreign and local sources which the researcher used to operationalize the basic research framework and variables to support the rationale and the development of the Community Development Fund of Cooperatives as mandated by laws governing the cooperatives and the Cooperatives' By-laws.

2.1. Review of Related Literature and Studies

The related literature provides evidence for the significance of the study and for its contribution to the ongoing discourse about the topic which is often referred to as contribution to "knowledge". It identifies the important intellectual traditions that guide the study, thereby, developing a conceptual framework and refining an important and viable research question.

Lotes P. Lab-oyan on April 11, 2019 from his various readings and data gathered on corporate social responsibility has proposed the following areas of concern in the utilization of Community Development Fund (CDF) and in the preparation of Social Development Plan by Cooperatives. He said that every cooperative has to sustain the growth and development of its host community in the following key results area:

- 1) Health and Sanitation,
- 2) Education,
- 3) Mutual Aid/Death Aid,
- 4) Calamity Assistance,
- 5) Environmental Concerns,
- 6) Support to Elderly, Persons with Disabilities, Solo Parents, Children, Gender and Development, Anti-drug Campaign and Peace and Order,
- 7) Infrastructure,
- 8) Livelihood activities for non-members, 9) Others.

Writemypapers.org presented various Review of Related Literature as follows:

According to Douglas and Emily (2011), business environment has changed significantly recently. Corporate Social Responsibility becomes an integral part of business models to survive in a business environment.

Bendell (2005) argues that, there is no single definite definition of what CSR has no single definite definition. However to have a positive impact to the society, companies apply different CSR models. Henceforth, according to him, CSR is universally defined as the ongoing dedication by organizations to act in an ethical manner as well as to contribute to economic development, at the same time enhancing the quality of life of their employees, their families, and the local community and society entirely.

Blowfield (2005) argues that, there is a wide literature of CSR because this has become popular and it related to sustainability, profitability, and ethical issues.

As stewards of community, Corporate Social Responsibility has earned popularity over the last decades in academic literature.

The first book acknowledged on CSR is the Social Responsibilities of the Businessman by Howard R. Bowen in the mid 1950s. But the term CSR came in widespread use in the early 1970s. In fact, it owes its origin due to the globalization which took place after many multinational corporations were formed. Globalization in turn has increased international business transactions that brought the corporate governance mechanisms to ascertain fairness and transparency as well as social responsibility.

2.2. Synthesis

The review of related literatures related to the problems presented in this study expands the introduction and background information. Further, the study contains theories and models relevant to the problem, historical overview and current trends and significant research data published. The review of related literature presents information and conclusion drawn by other researchers.

Based on the literatures presented, this study is very timely and appropriate. These revealed similarities and differences. And there is no similar parallel study that has been conducted on the Community Development Funds of Cooperatives located in Manila with Net Assets categorized as Micro, Small, Medium and Large.

While the assumption of weakness of the study is not certain, future researcher/s with the parallel subject may provide and complement the unforeseen and what needs to be accomplished.

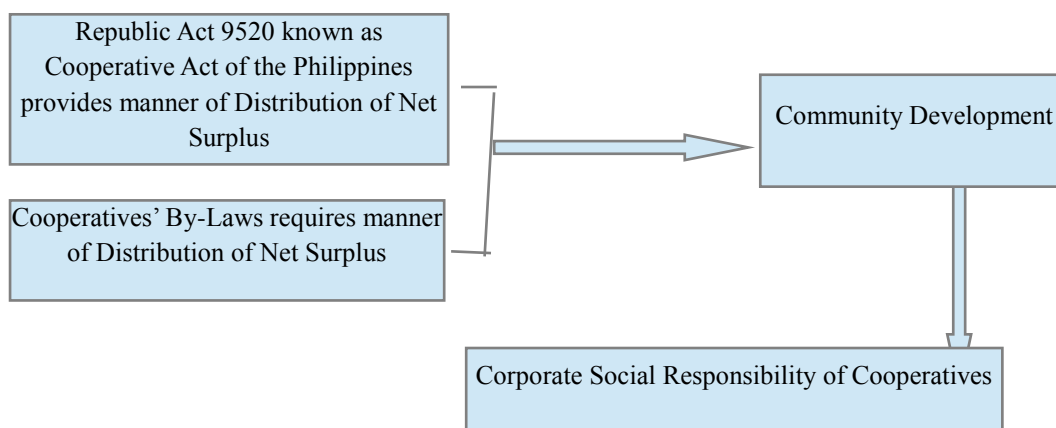
2.3. Theoretical Framework

Republic Act of 9520 known as “Cooperative Act of the Philippines” requires Cooperatives to allot three percent (3%) of their net surplus for Community Development Fund which they can apply and use to help in the development of communities within their area.

2.4. Conceptual Framework

The conceptual framework is presented in Figure 1.0

Republic Act 9520 Known as Cooperative Act of the Philippines and Cooperatives’ By-Laws: Compliance of Cooperatives to include Community Development Fund in the Distribution of their Net Surplus



2.4. Definition of Terms

- 2.4.1. Cooperative – an organization which is owned and run jointly by its members, who share the profits or benefits.
- 2.4.2. Net Assets – also known as Equity or the difference between Total Assets less Liabilities
- 2.4.3. Net Surplus – is the difference between the Revenues less Cost and Expenses
- 2.4.4. Community Development Fund – according to Republic Act No. 9520 or known as Cooperative Act of the Philippines, this is equivalent to the three (3) percent of the net surplus for distribution
- 2.4.5. Financial Statements
 - 2.4.5.1. Statement of financial position – this is the statement showing the assets, liabilities and equity. It shows the financial status or health of the cooperative as of the given period.

- 2.4.5.2. Statement of Operation – This is the statement that shows the operating results of the cooperative or an entity for a given period
- 2.4.5.3. Statement of Cash Flows – This statement shows cash inflows and outflows for a given period.
- 2.4.5.4. Statement of Members’ Equity – this shows Members’ Contributed Capital and unused Mandatory reserves such as Reserves, Cooperative Education and Training and Development Fund, Optional Fund.
- 2.4.6. Micro Cooperatives – these are cooperatives with three (3) million or less capital.
- 2.4.7. Small Cooperatives – cooperative whose total assets is more than Three Million pesos to Fifteen Million pesos (P15M).
- 2.4.8. Medium Cooperatives – cooperatives with total assets of more than Fifteen million pesos (P15M) to One hundred million pesos (P100M).
- 2.4.9. Large Cooperatives – these are cooperatives with total assets of more than one hundred million pesos (P100M) and above.

III. Research Methodology

This chapter presents the research design used, respondents of the study, instruments, tools and procedures which were applied to gather data and achieve information results necessary in this research, and the analysis and treatment of the data.

3.1. Research Design

The study used the descriptive method of research to obtain information. The descriptive method of research is a general procedure which describes the nature of a situation as it exists at the time of the study and explores the course of a particular phenomenon.

3.2. Research Locale

The study covered principally the area of Manila.

3.3. Samples and Sampling Techniques Used

The population subject to this study are those Cooperatives located in Manila with Net Assets categorized as Micro, Small, Medium and Large.

The proponent used all Manila Cooperatives registered and in the list of the Community Development Authority as of the end of 2017 and 2018.

2.5. Instrumentation

The proponent used secondary data where Financial Statements for 2017 to 2018 of Manila Cooperatives with net assets categorized as Micro, Small, Medium and Large will be reviewed.

2.6. Statistical treatment of Data

The gathered data were manually encoded into the MS Excel and used Frequency Distribution.

IV. Results And Analysis

Table below shows the net surplus for distribution and estimated Three percent (3%) CDF of Manila Cooperatives for the years 2017, and 2018:

TABLE 1: Year 2017 Net Surplus for Distribution of Cooperatives in Manila

Asset Classification	Amount of Assets	Qty	%	Net Surplus for Distribution	%	3% Community Development fund	%
Large	over 100M	17	11	238,933,526	59	7,168,006	59
Medium	over 15M-100M	46	29	130,474,160	32	3,914,225	32
Small	over 3M-15M	44	28	22,501,510	6	675,045	6

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Micro	3M and below	52	33	12,545,755	3	376,373	3
		159	100	404,454,951	100	12,133,649	100

Table 1 above shows 20017 Net Surplus for Distribution of Cooperatives in Manila. Total cooperatives in Manila as of the end of December 31, 2017 is One Hundred Fifty Nine (159). Of the total Cooperatives in Manila, thirty Three percent (33%) or fifty two (52) are Micro; while Twenty Nine percent (29%) or forty six are Medium-scale; followed by Small-scale which is Twenty eight percent (28%) or with a total number of forty four (44) and last is Eleven percent (11%) or Seventeen (17) are Large-scale Cooperatives.

Moreover, the total Net Surplus for Distribution of Cooperatives in Manila is Four Hundred Four Million Four Hundred Fifty Four Thousand and Nine Hundred Fifty One pesos (P404,454,951). Fifty Nine percent (59%) of the total Net surplus for distribution come from Large Cooperatives which is at least Two hundred Thirty Eight Million Nine Hundred Thirty Three Thousand pesos (P238.933M), Thirty two percent (32%) is from the Medium Cooperatives with at least One hundred Thirty Million four Hundred Seventy Four Thousand pesos (P130.474M). Six percent (6%) is from the Small Cooperatives with at least Twenty Two Million Five Hundred One Thousand pesos (P22.501M) and Three percent (3%) is from the Micro Cooperatives with at least Twelve Million Five Hundred Forty Five Thousand pesos (P12.545M).

Total amount of Cooperative Development Funds of Cooperatives in Manila is at least Twelve Million One Hundred Thirty Three Thousand (P12.133M) pesos coming from the following Cooperatives:

1. Large Cooperatives - Seven Million and One hundred Sixty Thousand pesos (P7.168M);
2. Medium Cooperatives – Three Million and One Hundred Ninety Four Thousand pesos (P3.194M);
3. Small Cooperatives – Six Hundred Seventy Five Thousand pesos (P0.675M); and
4. Micro Cooperatives – Three Hundred Seventy Six Thousand pesos (P0.376M)

It can be noted that Large cooperatives is the highest contributor of CDF, seconded by Medium, the third is Small and the last is Micro Cooperatives.

TABLE 2: Year 2018 Net Surplus for Distribution of Cooperatives in Manila

Asset Classification	Amount of Assets	Qty	%	Net Surplus for Distribution	%	3% Community Development fund	%
Large	over 100Million	16	9	358,108,370	63	10,743,251	63
Medium	over 15M-100M	58	31	166,898,974	29	5,006,969	29
Small	over 3M-15M	53	28	27,585,463	5	827,564	5
Micro	3M and below	61	32	13,703,689	2	411,111	2
		188	100	566,296,496	100	16,988,895	100

Table 2 shows the 2018 Net Surplus for Distribution of Cooperatives in Manila. Micro Cooperatives has the highest number which is Sixty One (61) or thirty two percent (32%) of the total numbers of Cooperatives; followed by Medium with a total number of fifty eight (58) or Thirty One percent (31%); then Small with a total number of Fifty three (53) or Twenty Eight percent (28%) and the last is Large Cooperatives with a total number of Sixteen (16) or Nine percent (9%).

TABLE 3: 2017 Gross Revenues of Cooperatives Nationwide

	Gross Revenues	Percent	Net Surplus	Percent
Non-Manila Cooperatives	15,416,482,150	93	5,593,013,089	93
Manila Cooperatives	1,078,604,488	7	404,031,448	7
Total	16,495,086,639	100	5,997,044,537	100

Table 3 above shows the 2017 Gross Revenues of Cooperatives nationwide. Manila cooperatives share Seven percent (7%) of the total economic activities of the Philippine Cooperatives.

TABLE 4: 2018 Gross Revenues of Cooperatives Nationwide

	Gross Revenues	Percent	Net Surplus	Percent
Non-Manila Cooperatives	18,584,988,846	92	7,005,084,335	92
Manila Cooperatives	1,684,580,959	8	587,455,670	8
Total	20,269,569,804	100	7,592,540,005	100

Table 4 above shows the 2018 Gross Revenues of Cooperatives in the Philippines. Manila cooperative share Eight percent (8%) of the total economic activities of the total productions of the Cooperatives.

TABLE 5: Total No. of Registered Cooperatives in the Philippines

	Year		Increase (Decrease)	
	2018	2017	No.	Percent
Non-Manila Cooperatives	1,082	962	120	12
Manila Cooperatives	188	159	29	18
Total	1,270	1,121	149	13

Table 5 above shows that Cooperatives in Manila has increased basically by twelve percent (12%) from 2017 to 2018 which is higher than the Cooperatives outside Manila.

Table 6: Comparative No. of Registered Cooperatives in Manila

Asset Classification	Amount of Assets	No. of Coops		Increase (Decrease)	
		2018	2017	No.	%
Large	over 100Million	16	17	(1)	(6)
Medium	over 15M-100M	58	46	12	26
Small	over 3M-15M	53	44	9	20
Micro	3M and below	61	52	9	17
		188	159	29	

Table 6 shows the number of registered cooperatives in Manila as of December 31, 2018 and 2017. It shows that Medium-scale cooperatives has an increase of twenty six percent (26%), followed by Medium-scale cooperatives which is Twenty percent (20%) increase, then by Micro cooperatives with a Seventeen percent (17%) increase. Large cooperatives have a decrease of Six percent (6%) in its numbers.

Table 7 below shows the comparative net surplus for distribution of Cooperatives in Manila. Large Cooperatives generated a net surplus 119.17 million pesos or fifty percent (50%) of the total net surplus produced by all Cooperatives in Manila. Followed by Medium Cooperatives with a 36.42 million pesos net surplus or Twenty eight percent (28%) of the total net surplus of Manila Cooperatives. Third, is Small Cooperatives that made 5.08 million pesos net surplus or twenty three percent (23%). Lastly, is the Micro Cooperatives with a net surplus of 1.16 million pesos or nine percent (9%).

TABLE 7: Comparative Net Surplus for Distribution of Cooperatives in Manila

Asset Classification	Amount of Assets	Net Surplus for Distribution		Increase (Decrease)	
		2018	2017	Amount	%
Large	over 100M	358,108,370		119,174,844	

			238,933,526		50
Medium	over 15M-100M	166,898,974	130,474,160	36,424,814	28
Small	over 3M-15M	27,585,463	22,501,510	5,083,953	23
Micro	3M and below	13,703,689	12,545,755	1,157,934	9
		566,296,496	404,454,951	161,841,545	

TABLE 8: Comparative Cooperative Development Fund (CDF)

Asset Classification	Amount of Assets	CDF		Increase (Decrease)	
		2018	2017	Amount	%
Large	over 100M	10,743,251	7,168,006	3,575,245	50
Medium	over 15M-100M	5,006,969	3,914,225	1,092,744	28
Small	over 3M-15M	827,564	675,045	152,519	23
Micro	3M and below	411,111	376,373	34,738	9
		16,988,895	12,133,649	4,855,246	

Table 8 above shows the Comparative Community Development Fund (CDF) of Manila Cooperatives for the years ended December 31, 2018 and 2017. The table displays Large Cooperatives with a fifty percent (50%) increase in CDF. Medium Cooperatives had a twenty eight percent (28%) increase. Small Cooperatives had twenty three (23%) increase and lastly, Micro Cooperatives, nine percent (9%).

V. Conclusion

Above results show that there is a great potential for Cooperatives in Manila to be partners in the Development of the Communities by the City Government. Data also demonstrate that Micro Cooperatives need support to increase their income. However, it may also be necessary to help Large Cooperatives to keep them growing. Continuous cooperative training is required to educate members and officers. It may also be necessary to encourage them to be members of Federations. These will guide and assist Cooperatives in education and in business development.

In this regard, CDA must prepare implementing rules and guidelines to further protect the hard-earned money of Cooperatives that will be placed in Federations.

Moreover, Manila has ranked 3rd with the lowest quality of life. Henceforth, it may be necessary to recommend to the cooperatives in Manila to prioritize the following community projects:

1. Vertical vegetable planting (Green and Planting project);
2. Feeding program for Children (Family and Home Development);
3. Sex and Family planning education (Family and Home Development);
4. Computer and Cellphone repairs (Trainings for Employment)
5. Seminar on Simple Business Finance (Business Development and job creation)

Lastly, to effectively implement this, the Community Development Fund (CDF) must be presented in the Liabilities Section of the Cooperatives' Statement of Financial Position. Hence, this becomes their accountability and must be subjected to the audit by the Cooperative Development Authority's (CDA).

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