

Feasibility Study

Lecture 12: Socio-Economic Study

Lecturer: Fidela R. Balajadia
Associate Professor 2
University of the Assumption, Philippines

Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Discuss the nature of a socio-economic study.
2. Identify the major areas of a socio-economic study.
3. Describe the presentation of benefits from employment.
4. Discuss government benefits from the project.
5. Explicitly explain how entities other than the owners will benefit as a result of the implementation
6. Identify the direct and indirect personnel, the government and other outside organizations entities

This portion states the project's significant contributions to the Philippine economy that includes:

- labor employed and all benefits the project's proponents and employees will receive, together with "superficial" benefits like increases in their standard of living, higher purchasing power, etc.
- the project's tax payments to the government for all the projection years
- all other possible benefits people, businesses and organization other than your project's proponents and employees and the government will receive as a result of the implementation of your project
- environmental impacts to be expected as a result of the implementation of your project on the population, the ecology, infrastructures, the landscapes, and others, if any.

Socio-Economic Study

It deals with the important role of the project if pushed through in society as well as in the economy. The project will contribute, improve, and uplift the present status of the economy. The firm will focus its attention not only on gaining profit but serving the community as well. A business exists to satisfy every person by providing goods and services that will lead to success in the economy and of a country.

Nature and Concept

The **socio-economic study** is the second to the last major section of a feasibility study. It is the only aspect of a feasibility study that does not resolve pertinent issues regarding financial viability. Rather, it deals with the social and economic impact of the proposed project on the local community and the nation in general.

This section resolves the basic question:

What are the social and economic benefits that can be derived from the proposed project?

Profit and return on investment are not the primary concerns in measuring the viability of a proposed project, rather, its social and economic contributions to the community. Local and national governments and government funding institutions like the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) evaluate and screen proposed business undertakings from the social and economic points of view. In this section, therefore, the proponent should make a valid and supportive description of the social and economic contributions of the project to the community.

Primary Concerns of a Socio-Economic Study

A socio-economic study is broadly divided into the following sections:

Employment

In evaluating the social attractiveness of a proposed project, its contribution in employment is given much emphasis.

The proposed project should at least

1. Assist in solving the unemployment problem of the country or locality where it is located;
2. Provide additional income to the people in the vicinity; and
3. Help in alleviating the standard of living of the people in the community.

It is not enough to give a narrative description of the foreseen effects on employment of the proposed project. These should be expressed in a quantitative form. In other words, there should be concrete data on the benefits that the business can provide in terms of employment.

For example, quantitative information about the following should be presented in this section:

1. The number of workers to be employed in the local community.
2. The amount of income to be earned by employed individuals.
3. The number of households that will be favorably affected by the project in terms of income.

Government

The benefits that the government may derive from the proposed project are also highlighted in this section. Usually, benefits for both the local and national governments include:

1. The amount of tax that will be generated, and
2. Reduction of some form of intervention

Again, the benefits in terms of taxes to be generated should be presented in a more enticing and attractive format. The presentation of hard data on the estimated amount of tax will surely attract the attention of the government and government financial institutions. The amount of taxes, both local and national, to be presented should include the:

1. Estimated quarterly and annual income tax of the business.
2. Estimated withholding tax to be remitted.
3. Estimated business taxes (value-added tax and percentage tax) to be remitted.
4. Estimated municipal taxes, permits and licenses.
5. Estimated property taxes and
6. Special assessment

The estimated amount of tax to be generated by the proposed project maybe presented as follows:

Description of Taxes	National	Local
Municipal or City Tax		XXXXX
Real Property Tax		XXXXX
Annual Income Tax	XXXXX	
Value-added Tax	XXXXX	
Income Tax Withheld	XXXXX	
Excise Tax	XXXXX	
Special Assessment		XXXXX
Community Tax		XXXXX
Documentary Stamp Tax	XXXXX	
Estimated Tax to be Generated by the Government	XXXXX	XXXXX

The business project may also reduce, in one way or another, the social intervention projects to be undertaken by the government. For example, business projects for bowling alleys or badminton courts will reduce government-proposed intervention to construct sports facilities intended to direct the interest of the youth on sports rather than on illegal drugs.

Other Socio-Economic Concerns

Other socio-economic concerns that maybe included in this section are:

1. The use of local or substitute materials in the production of goods
2. The reduction in price of a similar product in the market
3. Increase of exports and
4. Increase in foreign exchange rates

The use of local raw materials rather than imported ones to produce the goods will definitely benefit the community in terms of production and household income. If the proposed business uses local raw materials, the effects should be expressed in monetary terms to provide the prospective investors with solid information on the benefits to be derived from it.

Conclusion

The proponent should give a brief conclusion on the total benefits that the proposed project may provide to the community and the government.

In summary, indicate all the sectors / people to benefit from the product/project to be created such as the following and put write-ups regarding how they will benefit.

Proponents/Owners

They will earn income from the business and have the principal responsibility for the process. They can attain a better standard of living. The business can enhance the skills and ability of owners to wisely manage the business by being competitive against the other business enterprises.

They are primarily concerned with receiving information on the anticipated financial benefits that will be generated from the project/product. They also need to know whether it is wise or not to continue their relationship with the firm.

Government

The government will benefit because of the taxes to be collected from the business that will be used to finance national projects. The taxes are the lifeblood of the government that will in turn be used in the building of infrastructures, like seaports, airport, bridges, public hospitals, schools, public market, dams, and a lot more.

The government and the City of San Fernando here in Pampanga may also benefit from the proposed business through tax payments and payments for licenses and permits. This may increase government income to support governments projects. By this, there will be mutual benefits for the government and the taxpayers.

The company needs to register with the government to operate. It will need to register with the government to legalize its business operation. It will also allow the government to monitor the said company to execute its other functions in the business world.

Employees

The employees are the assets of the business. They are the workforce of the company, so it is important to build and maintain a good relationship with them so that they better produce quality products or services. The employees will receive the right salary and will be given incentives to those who will take part in the

company. It will be a source of livelihood for workers which will surely improve their standard of living.

Employees would want to consider long-term employment with the firm and would also want to know the long-term prospects of the firm.

Customers

The customer is the foundation of any successful business. Without the customers, no business can exist. The growth of every business is directly dependent on how customers are satisfied with the product or service. The aim of the company is to provide a good quality product to the satisfaction of the customers.

The reason behind establishing a business is because there is present demand for the product. The company must provide the customers with affordable and quality products to be able to satisfy their needs and wants. However, cash comes from sales provided by the customers because of the repeat purchase of the product there is the continuous influx of money for the business.

Suppliers

This is where the firm gets its needed raw materials so without this the firm cannot create the products they intend to offer to the public. The suppliers play an important role in the business because without them a very useful and beneficial product will not be created.

Creditors/Financiers

Will be interested to know if the firm is credit worthy. They will be the ones to provide for the additional funding needed by the business so that it gets going. They must be sure as well that the money they will loan out will still be recovered with interest.

Investors

They are mainly interested in the protection of their investments and the earnings they require over a period of years. The investors are the ones to provide additional infusion of capital, so they must get the assurance that the business lasts long for them to continuously earn from their investment.

Community

The business has responsibilities in the community . First, to provide good quality products and second, the proper waste management and disposal, and lastly to extend goodwill to the community. It also ensures that all the materials used are environmentally friendly. It is also within the community where the labor supply will be coming into.

.

Textbook:

Writing Project Feasibility Study, Nick L. Aduana, C & E Publishing, Inc. 2021