

Chapter Four The economic institution and its classifications

1- The general and specific meanings of the institution and its characteristics:

It is every financially independent organization within a specific social legal framework, whose aim is to integrate production factors or/and exchange goods or/and services with other agents in order to achieve an appropriate result.

It is clear from this that the features of the institution are as follows:

- A set of financial, material, informational and human resources;
- a framework within which a group of individuals and work teams operate;
- The institution has specific goals and related tasks; By reviewing the previous definition, it can be said that the focus of the institutions' work is limited to the following

- satisfying needs;
- Production of goods, services and ideasetc.

the meanings of the institution

We find the following definitions:

⌘ The institution as a human society:

The enterprise employs workers; So it performs a social function represented in meeting or satisfying a group of the tenants' needs ;; such as stability in position, level of wages, training, etc., and the institution represents a social group consisting of people who differ in terms of competence and culture.

⌘ The establishment alone for production and distribution:

It is also intended as a unit of distribution; The distribution of the revenues that are achieved as a result of realizing the added value, which is the value of the outputs minus the value of the inputs, which is distributed to all direct and indirect customers.

❖ The organization as a system:

The organization is defined as an open system that works to achieve its set goals, and this system consists of a set of inputs, outputs, and transformational processes. Economic, political, social, legislative and cultural factors on the other hand, and the institution affects the external environment through its plans and outputs that it offers in the form of goods or services.

2- Economic institution (a type of institution)

A business organization or an economic establishment (these two terms will be used synonymously wherever they are mentioned) is “an establishment that carries out economic activity and is set up by people for the purpose of profit.” The business administration major is concerned with the management of these businesses.

Institutions are types. One of these types is economic enterprises, and they have the following basic characteristics:

 It is established and owned by people; The government can also own shares in it, but its share is less than 50%.

 It is established with the aim of achieving profit for the owners; Those who evaluate it aim to achieve a financial return for them.

 It has a legal existence, it is legally licensed to operate; We point out that there are illegal activities, that is, that are not legally authorized, but they are not the area of our interest.

3 types of institutions

3-1 Types of institutions according to the variable of legal form

The nature of the legal form to sole proprietorships, companies of persons and companies of funds.

❖ Sole Proprietorships

“It is that institution that owns, finances and operates by one person, who is solely responsible for the results of its activity, profit and loss, and this type of institution is

widespread in most economies.” Examples of individual projects are what we see today: grocery stores, barbershops, and clothing stores.

❖ . **persons companies**

“It is a partnership between two or more persons, who share the resulting profit or loss, and the responsibility of each partner is not limited to his capital to pay the company’s obligations, but rather extends to his own money, and its types are partnership companies and money companies, and among the characteristics of these companies: Procedures Incorporation is mostly simple, there are no complex procedures, and partnerships take the following legal forms:

✓ **Solidarity companies**

“The partnership company represents a voluntary partnership between two or more persons to carry out a project that generates a financial return, and these persons are fully and unlimited personal responsibility towards the company’s responsibilities and obligations. decisions and profit sharing.

✓ **Money companies**

They are companies that are not based on personal considerations among the partners, but are based on the formation of huge capitals from large numbers of individuals, and the absence of the personal element in the formation of the company achieves an abundance of capital, and capital companies are distinguished by distributing risks to a number of shareholders, the responsibility of each A shareholder in relation to the company’s obligations to others to the extent of his contribution to the capital. Capital companies take the form of joint stock companies, partnerships limited by shares, or limited liability companies.

3-2- Classifications of establishments according to the variable nature of activity

Institutions can be classified according to the type of activity they carry out into:

- productive institutions;

commercial enterprises;

- Service institutions.

3- 3 types of institutions according to the variable size:

Institutions differ according to the nature of size to small, small, medium, large and very large enterprises, we will discuss in detail each of them.

→ Micro, small and medium enterprises

Among the most important criteria used in measuring the size of the institution in most of the economics, finance and business writings are the following:

} number of employees;

} invested capital;

Following the criterion of the number of workers in Yemen, the project is considered small when it includes less than 4 workers, and it is considered medium when the number of workers in it reaches 10 workers, while in Jordan the project is considered small when the number of workers ranges from 2 to 10 workers, and it is considered medium when it ranges between The number of employees in it ranges from 10 to 25 workers.” In the Kingdom of Saudi Arabia and Egypt, the establishments that employ 50 workers or less are small projects.

→ Large and very large organizations

The logical reasons stipulate that the end of the limits of defining medium enterprises in a country is the beginning of the limits of large enterprises in the same country. For example, in Algeria, the limits of large enterprises begin from 251 workers and more than 2 billion Algerian dinars as a turnover. There are several aspects of large and very large enterprises; The most important of which are major joint stock companies, holding companies, and multinational companies.

3-5 types of institutions according to the variable nature of ownership

Institutions are divided according to the variables of the nature of ownership into public ones that are subject to most or all of them to the state, and others that are private and subject to most or most of them to private ownership.

→ **Governmental public institutions**

These are the institutions that are managed by government units and are funded through taxes and service fees that are required from the beneficiaries of the service to perform.

The public institution, including what is of an economic nature, such as the Algerian Water Company, is set up by the state to carry out economic activity, so it sells a specific commodity or service, and some of them are of a social sovereign nature, such as courts and schools.

→ **Private institutions**

It is a privately funded institution, most of which aims to achieve profit. It may or may not carry out an economic activity, and the government may own shares in it, except that the share of the latter is less than 50%/;

3-6 types of institutions according to the nature of their orientation

In this regard, we point out that institutions of all kinds cannot all be placed in the same category in terms of the nature of orientation. Some of them are pioneers with broad growth horizons, and some are traditional and limited horizons.

→ **Traditional institutions with limited horizons**

believes that limited-minded enterprises such as cafes, maintenance and car repair services, barbering and ironing, baking and pizza shops constitute 80 to 90% of the total small and medium enterprises, and these businesses are characterized as working to provide needs present and personal to the individual and the family, and are not designed to grow and take the form of large corporations.”

→ **Pioneering startups**

These entrepreneurial institutions often have large investment resources so that they are able to provide new products or services on a large scale, according to Peter Drucker that innovative institutions in the last 25 years of the twentieth century all started small, and did much more successful work than giant companies.