

- **Subject: Economics of the Institution**

- **Level: First Year Common Core in Economic Sciences**

- **Academic Year: 2023/2024**

- **Definition of an Institution**

An institution is an organization established to achieve a specific type of work, such as providing services according to specific regulatory standards in its field of operation. It is also known as an entity that seeks to achieve a certain goal, whether educational, functional, or social. Another definition of an institution is the establishment of a private or public place to implement a specific program or idea, such as institutions for the care of people with special needs.

It can also be defined as: Any independent economic organizational structure, financially autonomous, within a specific legal and social framework, aiming to integrate production factors for the purpose of production, exchange of goods and services with other economic agents, or both (production + exchange), with the goal of achieving an appropriate result under economic conditions that vary according to the spatial and temporal context in which it exists, and depending on the size and type of its activity.

- **Characteristics of Institutions**

Institutions are characterized by a set of features, including:

- Seeking to achieve flexibility in work and reduce costs, contributing to adaptation to market developments.
- Excellence in effectiveness and efficiency by adapting to conditions that contribute to achieving efficiency effectively.
- Contributing to supporting local and regional development in all areas.
- Ease of investor participation with new and innovative ideas in various investment sectors.
- Ability to innovate by benefiting from successful experiences, contributing to achieving customer satisfaction.

- Direct communication with customers by working to provide appropriate services and searching for the best means to serve them.
- Ease of establishment; especially small institutions do not require large capital, but can rely on small capital such as personal savings.
- Ease of market presence due to the lack of large or numerous assets for institutions at their inception, helping them to exist in the market in the easiest possible ways.
- Specialization in a field, contributing to achieving quality in providing products or services with high features.

- Objectives of the Institution

Institutions seek to achieve several objectives, the most important of which are:

- **Developing production:** This is one of the most important specific objectives in institutions. Production is developed by relying on various resources, including human, financial, and material resources, which contribute to achieving development standards based on economic and technical efficiency.
- **Reducing costs:** One of the objectives that the institution is keen to seek; it strives to benefit from available inventory and exploit all stored reserves in the best possible way, contributing to reducing financial costs and maintaining savings.
- **Developing profits:** This is the objective based on cost reduction, but the cost of production or service issuance must be less than the selling prices, or the rate of increase in production cost must be less than the increase in prices, contributing to maintaining the profit rate.
- **Participating in market competition:** This is the ability to achieve a central presence for competition in the market; i.e., the institution's ability to compete with other similar institutions in the field of work in terms of prices, quality and quantity of products, payment method, institution location, and other areas.
- **Supporting share value:** This is the objective related to the necessity of having financial distributions for the institution's funds, based on shareholders' participation in the work where the value of financial securities rises, contributing to maintaining the continuity and growth of the institution.