

## CHAPTER XVI

### THE FINANCIAL ACTIVITIES OF NON-PROFIT INSTITUTIONS<sup>1</sup>

NON-PROFIT INSTITUTIONS are institutions which do not belong to the public sector and, as their title indicates, do not operate from profit motives but to provide households with various goods and services in the fields of education, health, social welfare, religion, etc.

The number of such institutions is big, but the volume of financial transactions conducted by most of them is fairly small. However, there are several large ones whose size enables them to decisively influence the structure of the transactions of the entire sector, such as the Sick Fund and other institutions of the Histadrut, Malben, Hadassah, institutes of higher learning, etc. Several of these are ramified organizations, embracing a number of institutions and controlling their activities. Some of the latter operate in one field only and others in several.

The services provided by the non-profit institutions frequently parallel those supplied by the Government, but there are some whose activities are specific to this sector, such as the trade unions, philanthropic institutions, religious institutions, and so forth.

The financial transactions of this sector aggregated IL. 460 million in 1961, which was 10 per cent higher than in 1960. This rate of growth, however, was lower than that in the preceding years, when it amounted to 12 per cent on the average, at current prices.

The increase in the consumption of the non-profit institutions in 1961 was low even in comparison with private consumption, which rose by 16 per cent, at current prices. The large increment in private consumption was due to the rapid increase in purchases of durable goods, whereas the consumption of food went up by only 13 per cent, at current prices. In respect of the non-profit institutions, however, the latter item accounted for a considerable share of total consumption. The slower increase in the consumption of this sector is explained by the non-growth of transfer receipts from abroad and the smaller expansion of those from households. This slower rise in receipts, especially those from overseas, also explains the slower growth of purchases on capital account. The more sluggish trend in investments and transfers from abroad began in 1959, when building operations were curtailed at the Hebrew University and the

<sup>1</sup> Excluding political parties.

Hadassah Medical Center, two institutions which in the past few years invested vast sums in building, financed mostly from foreign sources.

### 1. THE "BALANCE OF PAYMENTS", BY TYPE OF RECEIPTS AND PAYMENTS

Most of the receipts and payments of the non-profit institutions are connected with transfers and transactions in goods and services, while the percentage of transactions in financial assets is small. Transactions in financial assets have been recorded here net of repayments, and some net of loans granted. They have been contracting from year to year mainly, it seems, because of the reduced investment in building by several of the large institutions, which in turn has reduced the need for credit.

#### (a) *Receipts*

Because of the diversification of the non-profit institutions, it is difficult to make generalizations. The various institutions have displayed dissimilar development trends, but the trend of the sector as a whole is influenced to a considerable degree by several of the large institutions, each of which obtains the major part of its income from a single source.

The proportion of transfer receipts from abroad in total resources available to the institutions is declining, and this reflects the reduction of Hadassah's transfers on capital account and the non-growth of Malben's transfers on current account, which in former years rose at a substantial rate. Malben's transfer receipts are derived from Reparations funds, and account for about 20 per cent of the total amount received by this sector from the rest of the world. In contrast, the Histadrut and institutions of Torah learning obtained more money from abroad, but because of the small weight of such transfers, they had a negligible effect on the general trend.

Fees paid to the sick funds, trade unions, etc. accounted for a large proportion of total receipts from households. About 70 per cent of this sum was collected by the Histadrut (General Federation of Labor), which registered an increase of 9.5 per cent in 1961, compared with 12 per cent in 1960; the rate of increase of the other institutions remained virtually unchanged. As a result, total transfers from households rose by 10 per cent. Income from sales, which consists chiefly of school fees, rose considerably in 1961, by 23 per cent. The educational institutions in general, and the secondary schools in particular, enjoyed a greater increase than in 1960, which was due both to a larger number of pupils and to a larger amount received per pupil.

#### 1. *Transfers*

Domestic and foreign transfer receipts aggregated IL 345 million in 1961, which was 9.5 per cent higher than in 1960 but lower than the rate of increase

TABLE XVI-1

*The "Balance of Payments" of the Non-Profit Institutions, by Types of Payments and Receipts, 1960-61*

(IL. million)

Receipts	1960	1961	Increase or decrease (-) from 1960 to 1961	Payments	1960	1961	Increase or decrease (-) from 1960 to 1961
<i>Transfers and transactions in goods and services</i>							
Sales on current account	67.6	83.2	15.6	Purchases on current account	330.5	369.4	38.9
Transfer payments				Purchases on capital account	52.6	53.9	1.3
From the public sector	58.3	68.4	10.1				
From the rest of the world	85.8	87.9	2.1				
				Total	383.1	423.9	40.2
From households and business enterprises	170.8	188.4	17.6	Transfer payments to public sector	4.7	6.1	1.4
				Transfer payments to households	11.7	14.0	2.3
<i>Total transfer payments</i>	<i>314.9</i>	<i>344.7</i>	<i>29.8</i>				
<i>Total</i>	<i>382.5</i>	<i>427.9</i>	<i>45.4</i>	<i>Total</i>	<i>399.5</i>	<i>443.4</i>	<i>43.9</i>

<i>Transfers in financial claims</i>							
Credit from the banking system (net)	4.1	2.9	-1.2	Miscellaneous securities	0.5	0.2	-0.3
Long-term loans				Short-term credit			
From the public sector	1.5	2.0	0.5	To households and business enterprises	6.4	6.1	-0.3
From financial institutions	4.5	4.0	-0.5				
From the rest of the world	-1.6	—	1.6				
<i>Total long-term loans</i>	4.4	6.0	1.6				
Short-term credit							
From the public sector	3.3	4.3	1.0				
From households and business enterprises	13.0	8.6	-4.4				
<i>Total short-term credit</i>	16.3	12.9	-3.4				
<i>Total</i>	24.8	21.8	-3.0	<i>Total</i>	6.9	6.3	-0.6
<i>Transactions between the non-profit institutions</i>							
Transfers	11.2	11.5	0.3	Transfers	11.2	11.5	0.3
				Errors and omissions	0.9	—	-0.9
<i>Total receipts</i>	418.5	461.2	42.7	<i>Total payments</i>	418.5	461.2	42.7

in the preceding years, when it amounted to 14 per cent on the average. The slower tempo of expansion was due, as stated, to the reduced rate of transfers from households and from the rest of the world, which nevertheless still accounted for three-fourths of the sector's total receipts. Of the total, approximately IL. 100 million, obtained chiefly from abroad and from the Government, was destined for educational institutions; IL. 125 million, primarily from households, was intended for health services; and IL. 58 million, mainly from abroad, was for social welfare.

## *2. Transfers from households and business enterprises*

Transfers from households, which constitute the bulk of the non-profit institutions' income, rose by only 10 per cent in 1961. Viewed against the development of preceding years, this rate of increase was low, particularly since most of the transfers were received by the Histadrut, and in every one of the past few years its income from this source went up by approximately 13 per cent.

The slower expansion of the Histadrut's receipts from households in 1961 was caused both by the slower growth of its membership in general and that of the Sick Fund in particular, and by the smaller increase in average dues per member. The latter development, which occurred in spite of a greater increase in average wages, can apparently be attributed to the setting of a ceiling on incomes subject to a levy, which was reached by a larger number of members as the level of incomes rose.

In 1961 there was a considerable expansion of transfers from households to educational institutions, while those to other institutions rose only slightly. About 65 per cent of the transfers from households are more in the nature of purchases than donations, since they include large sums paid in the form of membership dues and fees to the various sick funds and other organizations supplying services. An appreciable part of the remaining 35 per cent, which are really donations, also originates in business enterprises rather than households, as it includes the contributions of various enterprises towards research conducted by the Hebrew University and other research institutes. A small but growing share of all contributions is intended for the Talmudic academies and other institutions of Torah learning.

The relative weight of transfers from abroad is diminishing. The year 1961 was the second consecutive year in which there was scarcely any increase; the remittances amounted to IL. 88 million, and were destined primarily for educational and welfare institutions. The close correlation between the development of transfers from abroad and purchases on capital account, which has prevailed in the past few years, was also apparent in 1961, when there was very little growth in either of the two. In 1960 and 1961 transfers on capital account amounted to about a quarter of all transfers from the rest of the world, but the volume of investment is also influenced by transfers from abroad on

current account, which likewise showed very little growth. Almost all of the small increment in such transfers in 1961 was accounted for by the institutions of Torah learning.

### *3. Sales on current account*

Sales on current account totalled IL. 83 million in 1961, which was 23 per cent more than in 1960. This was more or less equal to the average rate of increase of the past few years and was slightly higher than in 1960.

The proportion of receipts from sales is growing of late, forging ahead of transfers, the relative weight of which is declining. The share of income from sales on current account reached 20 per cent of all receipts, as against 18 per cent in 1960, and a much lower percentage in the preceding years.

Most of the sales (about IL. 42 million) were by educational institutions—especially secondary, agricultural, and trade schools—which also accounted for most of the expansion. Income from the sale of health services was next highest, totalling IL. 20 million, but it included the payments to National Insurance for medical aid.

IL. 14 million was received from sales by welfare institutions, including women's organizations and kindergartens sponsored by them, as well as old folks' homes, orphanages, Malben, and the welfare organizations of the Histadrut. For the majority of these institutions, however, income from sales constitutes only a small part of their total income, which is derived primarily from abroad.

### *4. Long-term loans and short-term credit*

The total amount of long- and short-term loans received in 1961 rose by IL. 22 million, which was IL. 3 million less than in 1960. There was an especially large increase in Government loans to the Hebrew University. On the other hand, loans from the National Institutions contracted by IL. 1 million, following a rise of IL. 1.5 million in 1960. Credit extended by households and business enterprises originates mainly in the latter, and the slower rate of growth in this item in 1961 as compared with 1960 was to a certain extent due to the halting of the upward trend in building investment. The greater part of such credit is granted by Solel Boneh and other contractors.

Net credit from the banking system rose by IL. 3 million in 1961, as compared with an increase of IL. 4.1 million in the previous year. Gross credit went up IL. 3.7 million, as against IL. 6.9 million in 1960, while the institutions' demand deposits expanded by IL. 0.8 million, compared with IL. 1.8 million in 1960.

### *(b) Payments*

#### *1. Purchases on current account*

Purchases on current account went up by 12 per cent in 1961, aggregating IL. 369 million. This growth was slower than in preceding years, when it

amounted to 15 per cent on the average. Wages paid on current account, especially by the health institutions, rose even more slowly, by 11 per cent, to IL. 226 million. This increase in the wage bill at a lower rate than other current purchases is a regular occurrence with the non-profit institutions.

Interest payments totalled IL. 6 million, which was only slightly higher than in 1960, when there was an increase of IL. 1.5 million. The smallness of the increment was apparently due to the fact that credit from private business enterprises hardly increased, while the Government granted the sector loans to the amount of IL. 6 million which were almost entirely interest-free, and a large loan was received from Mifal Hapayis at a relatively low rate of interest.

The health institutions accounted for most of the purchases on current account, especially wage payments, where their share came to 40 per cent. Their total wage bill was 10 per cent higher in the year under review, as compared with an increase of 16 per cent in 1960. The deceleration of the rate arose from the fact that their personnel grew by only half as much as in 1960. On the other hand, the wage bill of the educational institutions went up 15.5 per cent as against an increase of 11.5 per cent in 1960.

### *2. Purchases on capital account*

Since 1959 the relative share of purchases on capital account within the total payments of the non-profit institutions has been declining, owing largely to the reduced scale of building by institutions of higher learning and the Hadassah Medical Center. In 1961 purchases on capital account totalled IL. 54 million, which was IL. 1 million more than in 1960, but if the increase in investment prices is taken into account, there was a reduction, in real terms. Purchases on capital account include investments in building, equipment, and stocks, but the contraction occurred in the first item. The majority of the investments are made in educational and cultural institutions, including Binyanei Ha'ooma (the National Convention Center) and the Weizmann Institute of Science.

The financing of investment in 1961 showed the same composition as in 1960: 40 per cent came from overseas transfers on capital account, 4 per cent was supplied by the public sector, while the remainder originated in various other sources.

### *3. Transfers*

Transfer payments by the non-profit institutions totalled IL. 20 million in 1961. About two-thirds of this sum consisted of transfers to households, including relief payments and transfers by the various welfare institutions, as well as scholarships and literary and other awards. The remaining third consisted of transfers to the Government, mostly payments for services supplied by the Government to the sick funds and Malben through Government hospitals,

as well as the participation of Malben and other bodies in the national health services.

#### 4. Credits

The credit granted by this sector actually consisted of loans to households. These were not recorded net of loans received, as the overwhelming share of the latter was extended by business enterprises primarily to the large institutions engaging in investment, while only a minor part was derived from households in the form of advances on account of tuition fees; in contrast, the credit granted by the sector consisted of sums owed by households for health and educational services.

TABLE XVI-2

*“Balance of Payments” of the Non-Profit Institutions, by Sector, 1959-60*  
(IL. million)

Sector	Receipts			Payments		
	1960	1961	Increase or decrease (-) from 1960 to 1961	1960	1961	Increase or decrease (-) from 1960 to 1961
Households and business enterprises	251.4	280.2	28.8	379.8	420.6	40.8
Rest of the world	84.2	87.9	3.7	16.0	17.0	1.0
Government	46.5	57.8	11.3	4.3	5.8	1.5
National Institutions and local authorities	16.6	16.9	0.3	0.4	0.3	-0.1
Banking system and other financial institutions (net)	8.6	6.9	-1.7	5.9	6.0	0.1
Errors and omissions				0.9		-0.9
<i>Total</i>	407.3	449.7	42.4	407.3	449.7	42.4

#### 2. THE “BALANCE OF PAYMENTS” OF THE NON-PROFIT INSTITUTIONS WITH OTHER SECTORS

Included in the “balance of payments” of this sector are all receipts from other sectors and payments to them—i.e. all transactions in goods and services, transfers, and loans.

The figure for purchases from the household sector probably includes purchases from other sectors, owing to the impossibility of making a differentiation in respect of every single transaction. Transactions with households accounted

for almost the same proportion of total receipts and total payments as in 1960, there being a slight increase on either side due mainly to the fact that purchases and sales on current account rose faster than the other items.

The difference between receipts from the rest of the world in 1961 and those in 1960 is larger in Table XVI-2 than in the "balance of payments" by types of receipts and payments (Table XVI-1). This is due to the fact that loans from abroad are included in Table XVI-2, and whereas in 1960 they declined, during the year reviewed they remained unchanged. On the payments side are recorded the estimated imports and transfers in kind from abroad.

The increase in long-term loans and short-term credits from the banking system and other financial institutions was smaller than in 1960. The amount on the payments side consists entirely of interest payments, and it probably includes sums remitted to other sectors as well.

### 3. THE SAVING OF THE NON-PROFIT INSTITUTIONS

The saving of the non-profit institutions may be defined as the excess of current domestic income over current domestic expenditure, or the excess of total current income from both domestic and overseas sources over current expenditure. According to the first definition, this sector had a dissaving of about IL.52 million in both 1960 and 1961, but according to the second definition, it had a positive saving of IL.15 million in 1961 as against IL.14 million in 1960. This increment of IL.1 million as compared with an increase of IL.4 million in 1960 was due to the fact that income on current account was much larger in 1960 than in 1961, while expenditure on current account rose but slightly.

TABLE XVI-3  
*Saving of the Non-Profit Institutions, 1960-61*  
*(IL. million)*

	1960	1961
(1) Domestic transfers on current account (net)	212.9	233.7
(2) Current purchases (net of sales)	265.1	286.2
(3) Saving, excluding transfers from the rest of the world (1) - (2)	-52.2	-52.5
(4) Current transfers from the rest of the world	66.3	67.6
(5) Saving (3) + (4)	14.1	15.1

TABLE XVI-4

*Transactions of Non-Profit Institutions,<sup>a</sup> by Field of Activity, 1960-61*  
(IL. million)

<i>Field of activity</i>	<i>1960</i>	<i>1961</i>	<i>Per cent increase from 1960 to 1961</i>
Health	151.8	163.9	8.0
Education	117.8	138.5	17.5
Welfare	63.0	71.6	13.5
Others <sup>b</sup>	74.7	75.7	1.5
<i>Other</i>	<i>407.3</i>	<i>449.7</i>	<i>13.5</i>

<sup>a</sup> Net of transactions between the non-profit institutions.

<sup>b</sup> The increase here appears small because of adjustments stemming from intra-sector transactions.