



Department of Statistics
M A L A Y S I A



Institutional Units and Sectors

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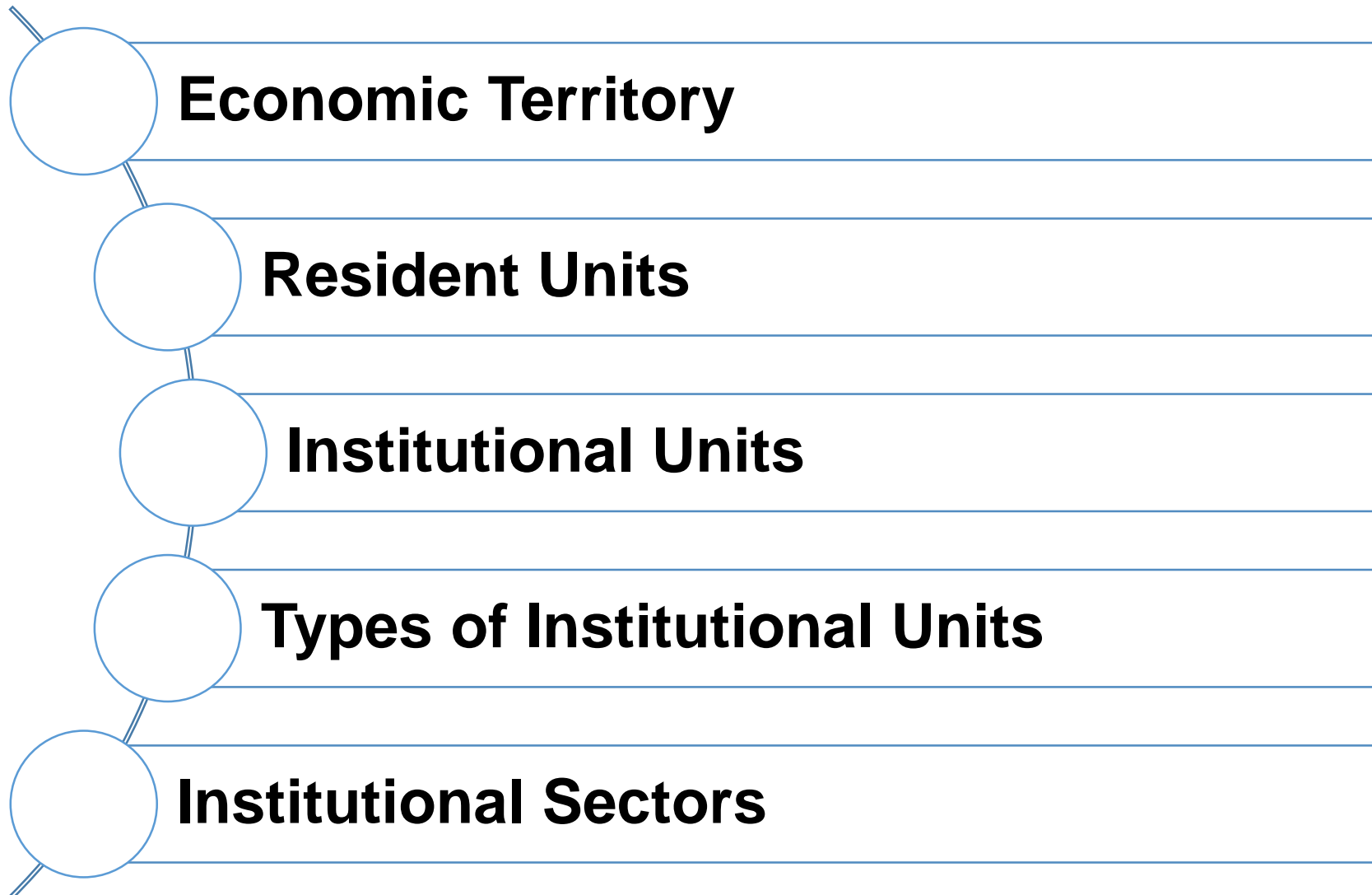
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- Economic Territory - Geographic territory administered by a government, including the
 - national airspace
 - territorial waters
 - continental shelf
 - territorial enclaves in the ROW (embassies, military basis)
 - offshore enterprises
 - free zones



- An institutional unit is a Resident Unit when it has a Center of economic interest in the economic territory of a country
 - Location
 - Engage in economic activities
 - Long period of time
- Individual residency is based on the residency of household
- Unincorporated enterprise (not quasi corporate) has same residence as household
- Corporate branch or office engaged in activities for long time is resident of the country it operates as quasi corporation
- Owner of land and buildings are deemed owned by residents





- Social or legal unit
- Resident of the economic territory
- Capable in its own right to own assets or incur liabilities
- Engage in economic activities and transactions with other units
- Complete set of accounts possible



Types of Institutional Units

- Differentiated by Economic objectives, Functions, Behavior
 - Household
 - Corporation
 - Quasi corporation
 - General government
 - Non profit institution



- Financial corporations
- Non-financial corporations
- General government
- Households
- Nonprofit institutions serving households (NPISH)
- Rest of the world



Institutional units cross-classified by sector and type



Institutional unit	Sectors				
	NF Corp	Fin Corp	General Govt.	HH	NPISH
Corp & Quasi Corp	Non fin corp./ quasi corp	Fin corp./ quasi corp.			
Government units			Govt. units		
Household				Household Unincorporated enterprises	
NPI	Non Fin. NPI	Financial NPI	Govt. NPI	Informal NPI	NPISH





Institutional units cross-classified by sector and ownership



	Non-financial corporation sector	Financial corporation sector	General government sector	Households sector	NPISHs sector
Public sector	Public non-financial corporations	Public financial corporations	All government units and government NPI		
National private sector	National private non-financial corporations	National private financial corporations		All households	All NPI serving households
Foreign controlled sector	Foreign controlled non-financial corporations	Foreign controlled financial corporations			





- Private household
 - Group of person
 - Share living condition
 - Pool income and wealth
 - Consume collectively some consumption items like housing and food
- Institutional households
- Household unincorporated enterprise





Households

- Employers
- Employees
- Own account workers
- Recipient of property & transfer income
- Recipient of property income
- Recipient of Pension
- Recipient of other transfer





- Consumer
- Supply labour to production
- Can engage in production
- Often coincide with family
- Paid servant of households not included in household
- Boarders not included
- Members have claim to the resources of the households



- Persons belonging to institutional households
 - Members of religious organization living in monastery, convents or similar institution
 - Long term patients in hospitals
 - Prisoners serving long sentences
 - Retirement homes



Household Unincorporated Enterprise

- Household unincorporated enterprise is considered producing unit which is operated by member or members of household
- Unincorporated partnership
- Household's liability in unincorporated enterprise as well as partnership is unlimited





- Household producing goods for final use
 - Subsistence production
 - Construction of own dwelling
 - Goods for own final use
- Household producing services for own final use
 - Owner occupied dwelling
 - Domestic services of paid staff



- An institutional unit created on the basis of a legislation
- Created for the purpose of producing goods and services for the market
- Can be source of profit to the units that own them
- Do not incur expenditure on final consumption
- Treated as resident of the country in which it is created or registered
- Surpluses or profits are distributed to the stock holders or owners





- Owners are not liable to pay for the liabilities in case of bankruptcy if liabilities is more than the assets of corporations
- Owners exercise control through voting rights
- Subsidiary corporation – a corporation B is subsidiary of corporation A if
 - A controls more than 50% of voting power of corporation B
 - Corporation A is shareholder of corporation B with right to appoint or remove a majority of the directors of the corporation
- A is the parent corporation of B





- Parent corporations produces and control other corporations
- Parent corporations whose principal function is to control and direct group of subsidiaries are called holding corporation and holding company



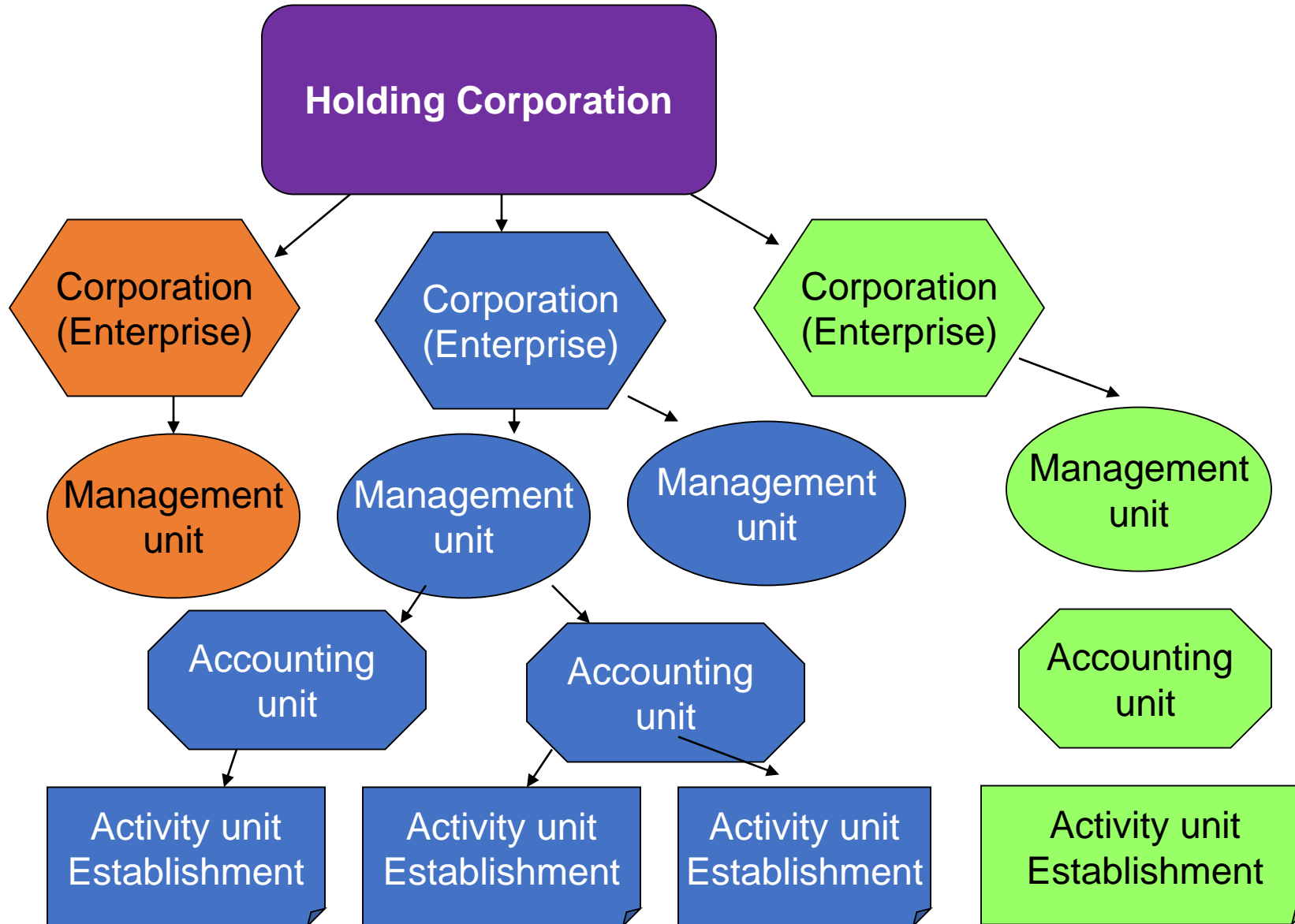
- If a corporation A has a subsidiary B, and
- B has another subsidiary C and
- C has another subsidiary D,
- then A, B, C and D form family of corporations
- Associate corporation – a corporation B is an associate corporation of A if
 - A or subsidiaries of A owns 10-50 % of the voting rights in B so that A has some influence over the policies and management of B



- Conglomerate – families of corporations
- Multinational corporations – conglomerates which include corporations in many different countries
- Ancillary corporation fully owned by parent corporation and its function is to provide services to the parent corporation or other ancillary corporation owned by the parent corporation
- Ancillary corporation is treated as integral part of the parent corporation

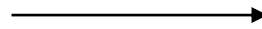


Corporation (Contd.)





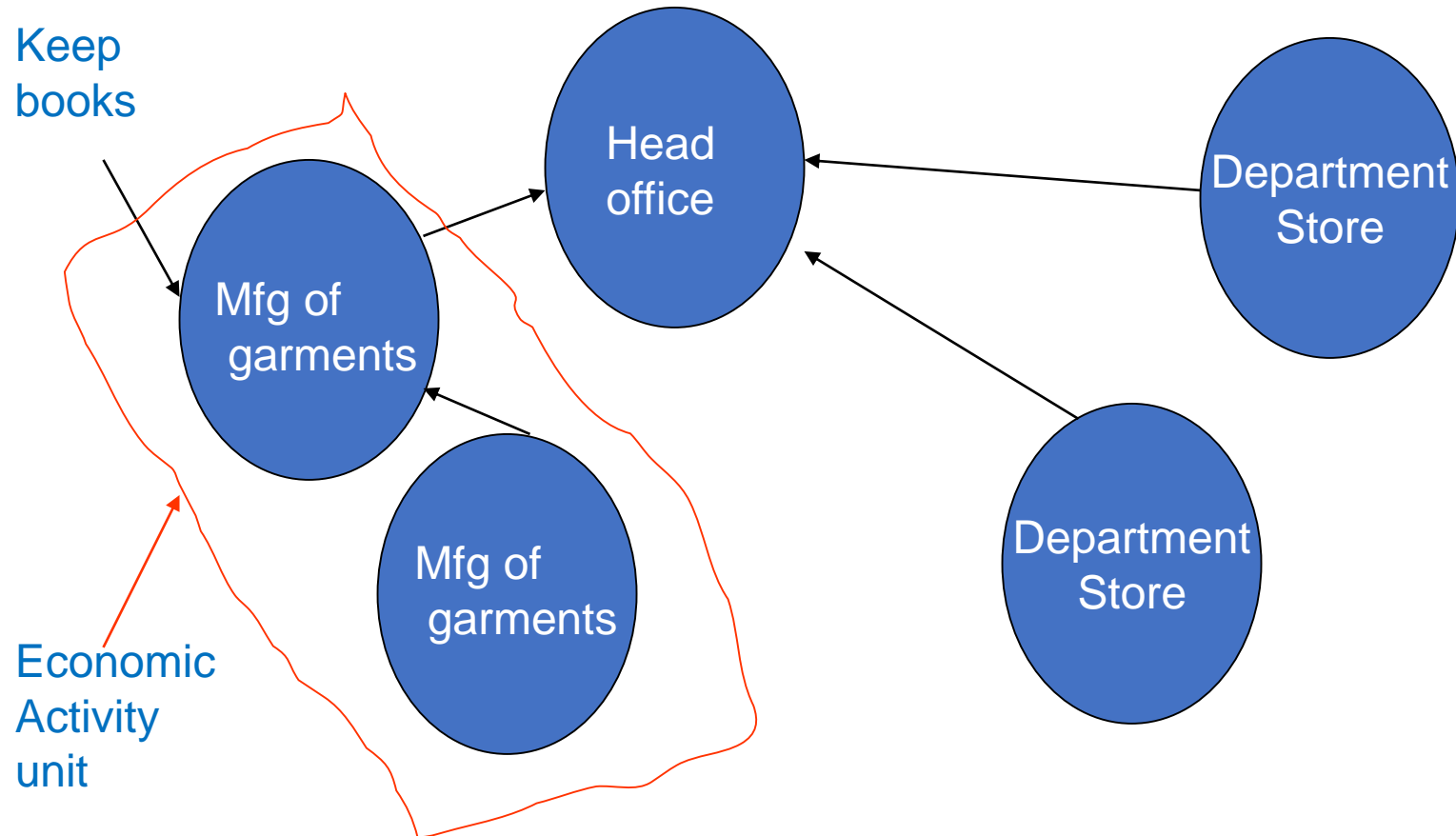
One economic
activity unit one
corporation



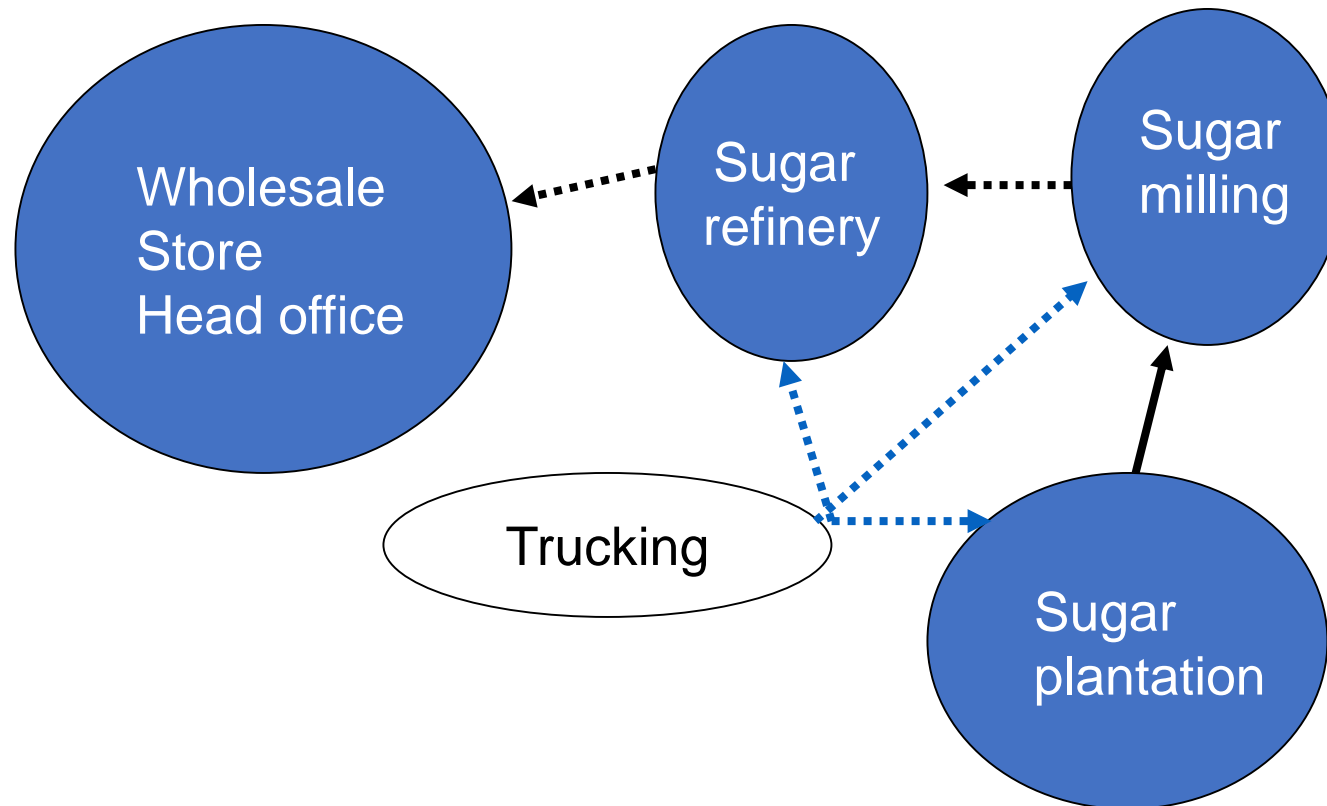


Horizontally integrated corporation

One corporation with several economic activity units
(horizontally integrated enterprise)



One corporation with several economic activity units (vertically integrated enterprise)





- Unincorporated enterprise that function as if it were a corporation
 - Unincorporated enterprise owned by resident operated like a corporation
 - Unincorporated enterprise owned by non resident deemed to be resident institution because they engage in significant production for long period of time
- Cooperatives
- Limited liability partnership
- Unincorporated enterprise owned by government





Quasi Corporation (Contd.)

- Unincorporated enterprise or partnership owned by households which are operated like they are privately owned corporations
- Unincorporated enterprise which belong to institutional units resident abroad: permanent branches
- A full set of accounts must exist for unincorporated enterprise to be classified as quasi-corporation
- Treated as a separate institutional unit from its owner



Quasi Corporation (Contd.)

- Withdrawal of income from the quasi corporation is treated like dividend of corporations
- In balance sheet
$$\text{asset} = \text{liabilities}$$
 (net worth is always zero in practice)





- Non financial Corporations
produce goods and non financial services
- Financial Corporations
produce financial services





- **Public Non-financial Corporations**
 - Public corporations
 - Mixed enterprises
 - Large unincorporated government units
- **National Private Non-financial Corporations**
 - Incorporated
 - Large partnerships
 - Unincorporated
 - Non-profit institutions serving business
- **Foreign Controlled Non-financial Corporations**
 - Subsidiaries of nonresident corporations
 - Branches
 - Corporations controlled by nonresidents





- **Financial corporations** can be divided into three broad classes namely
 - financial intermediaries;
 - financial auxiliaries; and
 - other financial corporations



- **Financial intermediaries** are institutional units that incur liabilities on their own account for the purpose of acquiring financial assets by engaging in financial transactions on the market.
- **Financial auxiliaries** are institutional units principally engaged in serving financial markets, but do not take ownership of the financial assets and liabilities they handle.
- **Other financial corporations** are institutional units providing financial services, where most of their assets or liabilities are not available on open financial markets



- **Central Bank**
- **Other Depository Corporations**
 - **Deposit Money Corporations (DMC)**
 - **Public**
 - **National private**
 - **Foreign controlled**
 - **Other Depository Corporations except DMCs**
 - **Public**
 - **National Private**
 - **Foreign controlled**





- **Other financial intermediaries *except Insurance Corporations and Pension Funds***
 - **Public**
 - **National private**
 - **Foreign controlled**
- **Financial Auxiliaries**
 - **Public**
 - **National Private**
 - **Foreign controlled**
- **Insurance Corporations and Pension Funds**
 - **Public**
 - **National private**
 - **Foreign controlled**





- Created by political process
- Engage in non-market production
- Provide non market goods and services to households(collective and individual)
- Distribute and redistribute income and wealth through taxation
- Provides social security
- Manage other resources of the country through various policies





- Central Government
- State Government
- Local Government
- Social Security Fund
 - Center
 - State
 - Local Bodies
- Government Non Profit Institutions





Non Profit Institutions (NPI)

- Legal or social entities
- Created to produce non market goods and services
- Not a source of income , profit or any financial gains for the units that establish or created them
- Created for various purposes:
 - Provide services for the benefit of institutional units or persons that finance them
 - Charitable or philanthropic welfare reasons
 - Health and education services
 - Promote interest of pressure group





Non Profit Institutions (NPI) (Contd.)

- NPIs engaged in non market production
 - Non-market NPIs mainly controlled and finance by government (government NPI)
 - **NPI serving households (NPISH)**
- Market NPI serving business enterprises



Non-Profit Institutions serving Households (NPISHs)

- NPIs are legal or social entities created to provide goods and services to other institutional units, whose status does not permit them to create income, profit or financial gains to those who control and finance them
- NPISHs include only NPIs that serve households and produce non-market goods and services without charges or whose prices are economically insignificant
- By convention, if NPIs are controlled or 50% of their costs are paid for by the corporate or general government sectors, they should be classified respectively to these sectors, not to the household sector





1. Non-financial or financial corporations

- Corporations engaged in the financial leasing should be classified in the Financial corporations sector

2. Non-financial corporations or households

- Unincorporated enterprises of Households (if they maintain a complete set of accounts) should be transferred to Non-financial corporations sector

3. General government or financial corporations

- All government-owned units engaged in financial intermediation must be classified in Financial corporations sector provided that they maintain a full set of accounts separately from those of government





4. Financial corporations or households

- Unincorporated enterprises of Households if they engage in financial activities such as financial intermediation, money changing or investment advisory services and maintain a complete set of accounts should be included in Financial corporations sector
- Money lenders

5. Financial corporations or rest of the world

- Offshore banks – output of these activities is part of the output of the country within whose economic territory production takes place



6. Households or rest of the world

- Cross border workers residence is assigned on the basis of where the principle dwelling exists and not where the productive activity takes place
- Long-term foreign workers – one year rule is applied
- Diplomats and military personnel in foreign controlled bases remain residents of the home country regardless of how long they stay abroad



7. Non- financial corporations, General government or NPISH

- Units providing public sector services
- Two stage decision process;
 - Market/non-market producers (economically significant prices or when sales cover 50% of production costs) – rail and bus transport, radio and TV activities
 - If they are non-profit institutions, do they belong in GG sector or in NPISH –(control and financing) schools, universities, hospitals



8. Non-financial corporations or rest of the world

- **Construction work abroad**
 - If site office (subsidiary unit) is established – non-financial corporations sector of the country where the work is carried out
 - If not – the value of construction work is an import/export of service
- **Mobile equipment - aircrafts, ships, drilling rigs and platforms**
 - If it is used in international waters or airspace – the activity is attributed to the country of operator residence
 - If the equipment is used in another country more than 12 months – the enterprise has a centre of economic interest in that country
- **Special economic zones – custom, tax or labor special regimes**
 - All production that takes place in it is domestic in nature and units belong to the non-financial corporations sector



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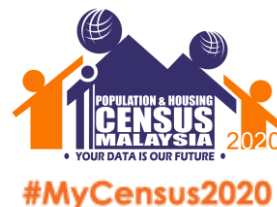


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