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# FINANCIALLY ADVANTAGEOUS PRODUCTS FOR NONPROFIT SECTOR IN THE CZECH REPUBLIC

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### **Abstract**

*In the Czech Republic (CR) there are about 60 100 nonprofit nongovernmental organisations (NPO). They present quite big amount of potential customers, making use of various services which are needed for their function. In this paper offers of various kinds of services for NPO in the Czech Republic were analysed. Special offers of banks, insurance companies, post, phone and others were looked for. Mostly all services are offered with some discount for NPO. EBanka, a. s. offers transparent account without monthly fees. Postovní spořitelna and its mother bank Československá obchodní banka, a .s. offer account without monthly fees as well. Some companies have no special offers for NPO. Their offers are included in overture for companies and firms. They are not special financially advantageous for NPO. In case of Czech Post this can be caused by it's monopol in the CR. On the other hand there are several telephone providers and none does offer anything special for NPO. It is possible to find some websites and internet domain providers, who offer their services with discount for NPO. They provide it without any tax allowance only for acquisition of more customers.*

**Keywords:** nongovernmental nonprofit organisations; bank accounts; special products

**JEL codes:** L39

## **1. Introduction**

Financing nonprofit sector in the Czech Republic (CR) is not in such a good organized level as it is for example in America because they have a continuous historic development there. Joan M. Hummel (2004) wrote that the French politician Alexis de Tocqueville wrote about 160 years ago that „Americans are forever forming associations.“

Historical origin of nonprofit organisations in the CR appears from Austro-Hungarian habits, because the Czechoslovakia assumed legislation of the previous state system.

History of nonprofit organizations in Bohemia and Moravia is bound up with municipal Austria law-book from year 1811. It was the first rule of law for founding specific nonprofit corporation. (Škarabelová, S. a kol. 2002)

Present image of nonprofit sector started to develop in the CR in November 1989, after years spent in the totalitarian regime.

It is possible to speak about two main groups of nonprofit sector in the CR. Some work in public nonprofit sector and support public services. Others work in private nonprofit sector and they are situated mainly outside of the public services force.

(Rektořík, J. a kol. 2004)

This article deals with the second group of the nongovernmental nonprofit sector. Five groups of nonprofit forms belong here; Civic associations, Foundations, Foundation funds, Public benefit organisations and Church related legal bodies.

They started to be founded by issue of legislation No. 83/1990 in the Collection of laws (Sb.) about grouping citizens, law No. 248/1995 Sb. about public benefit organisations, law No. 227/1997 Sb. about foundations and foundation funds and law No. 3/2002 Sb. about church related legal bodies.

In the year 1990 in the CR there were 3 879 nonprofit organisations registered and nowadays there are about 60 100 ([www.neziskovky.cz](http://www.neziskovky.cz)). It means that they represent a quite big amount of organisations and potential customers for companies as well.

Nonprofit organisations can use direct or indirect financial sources. Direct ones are dotations, grants, and finance help etc. from public budgets or para-fiscal funds. Indirect ones are sponsorship and gifts of companies or of persons affected by tax laws from the point of view of both donator and receiver too. (Škarabelová, S. a kol. 2002)

The companies have sometimes some special financially advantageous offers exactly and only for nonprofit organisations. Main target of this work is finding this offers and their benefit for companies.

## **2. Special products for nonprofit organisations**

### ***2.1 Accounts for nonprofit organisations***

In the Czech Republic we have about three decades of banks. Each of them offer several kinds of special accounts for special types of clients. Only several of them offer some individual account usefull for nonprofit organisations (NPO). It is the transparent account of eBanka, an account for NPO provided by CSOB a.s. with no monthly fees, and some others banks offer accounts with some monthly fees discount.

#### **2.1.1 Transparent account**

If it is necessary to make your organisation transparent, then it is possible to open a transparent account. EBanka, a.s. offers this kind of account. Everybody can check via internet web site of eBanka transactions on this account. It is a special product for nonprofit organisations, offered by eBanka from the year 1998. It gives a possibility for donators to control their benefits. There are no monthly fees. It is paid only for transactions. Annual interest rate is 0,15 %. Mostly civic associations and unions use that kind of account. There are 943 and it is 81 % of all transparent accounts of eBanka. ([www.ebanka.cz](http://www.ebanka.cz))

#### **2.1.2 Account for nonprofit organisations without monthly fees**

Postovni sporitelna and its mother bank Ceskoslovenska obchodni banka, a. s. (CSOB) provide similar specific accounts for nonprofit organisations named Postkonto and CSOB Konto. It is intended for all types of NPO (foundations, civic associations, religious organisations, allowance organisations, quasi-public companies, etc.), which need simple, easily controllable, and economically accessible bank accounts. Foundation is for free. The minimal deposit is 500 Kc (18 €). There are no monthly fees. It is paid only for transactions. Annual interest rate bracket is from 0,5 % to 0,7 % according current account balances. There is immediate entry of specially priced electronic transactions, payment card free of charge and an overview of all movements on the account via e-mail or SMS messages.

For opening the account it is only necessary to submit identification documents. These are original or officially verified copies of documents substantiating the foundation and existence of the organisation (depending on the type of non-profit organisation in question, for example an abstract from the Registry of Foundations, i.e. establishment, or document registration) and substantiation of the current method in which the organisation is handled. ([www.csob.cz](http://www.csob.cz), [www.postovnisporitelna.cz](http://www.postovnisporitelna.cz))

### **2.1.3 Account for NPO with advantageous monthly fees**

The other banks mainly advertise accounts for NPO with advantageous monthly fees. Ceska sporitelna, for example has some particular offers not only for nonprofit organisations but as well for firms and public sector. An account for NPO has its own annual interest rate from 0,15 % to 1,5 % according current account balances ([www.csas.cz](http://www.csas.cz))

### **2.1.4 Account for dotations**

Ceska sporitelna, for instance quotes account for dotations from state balance and State found development of living. Administration of account is for free. And it is intended for regional authority, municipality, council and organisations established by them and by state establishment. To open the account it is necessary to submit authorised „Notification about limit of state budget expenditures for endowed action“. ([www.csas.cz](http://www.csas.cz))

## **2.2 Telephone services**

Main mobile operators in the CR, Vodafone, T-mobile and Telefonica O2 do not offer any kind of products for NPO. They provided several special products only for companies which included as well nonprofit organisations.

## **2.3 Post services**

Czech Post does not tender any discounts or lower prices specially for nonprofit organisations. They established some discounts for monthly volume of posted Commercial and Profi parcels from 5 to 20 % of basic charge. The percentage depends on amount of parcels. ([www.cpost.cz](http://www.cpost.cz))

According CTK information, this monopol should finish in year 2013 (<http://www.emag.cz>). Monopol for correspondence of Deutsche Post should be finished till the end of this year as well (<http://www.exportdosrn.cz>).

There is a question if without Czech post monopol the situation will be more hospitable for NPO.

Different situation is for example in the U.S.A. There are several post companies, for example United States Post Services (USPS), USAMail1, FedEx, UPS, MyUS. In year 1980 the Alliance of Nonprofit Mailers was established. It is a national coalition of nonprofit organisations that use the mails to raise funds, solicit members and disseminate information. This Alliance is open to nonprofits, interested in working toward reasonable and stable nonprofit postal rates and regulations. (<http://www.nonprofitmailers.org>)

## **2.4 Insurance**

It was found only one insurance company, Kooperativa, a.s. , which offers for NPO liability for damage towards third person. This product is included in „TREND“ programe and is intended for businessmen, small and medium-size enterprises, but NPO can as well use it. There is no discount for NPO. ([www.koop.cz](http://www.koop.cz))

## **2.5 Others**

In the Czech Republic there is the Information Centre of Nonprofit Organisations, p.b.c. (ICN). It is a nonprofit organisation whose mission is to raise the awareness of the general public about the nonprofit sector and to strengthen its role in civic society in the Czech Republic and on the international level. One of the main objectives of ICN is to make the activities of non-governmental nonprofit organisations more professional and to support their co-operation. ICN library is the professionally founded one in the CR for nonprofit organisations. ICN members can use this library without fees. ICN organisation offers as well a lot of various educational courses for people from nonprofit organisations. (<http://neziskovsky.cz/cz/icn>)

Having own web sites is presently very popular for NPO. In the Czech Republic there are several providers bidder domains for web sites with some lower price for NPO. This discount is provided without direct benefit for this providers. It is only an oppurtunity for them to get more customers without any tax allowance.

Some companies offer cheaper software for NPO. Special ones for book-keeping, accountig etc.

## **3. Conclusion**

There are several financially advantageous products for nonprofit nongovernmental sector in the Czech Republic. A few banks offer special accounts for nonprofit organisations without monthly fees. Firstly it is transparent account provided by eBanka, a. s. This account is enabling checking all transactions. Secondly it is the account provided by Postovni sporitelna and its mother bank Ceskoslovenska obchodni banka, a. s. It was found only one insurance company, Kooperativa, a. s. which offers for NPO liability for damage towards third person. Post and telephone providers do not offer anything special for NPO. Offers for NPO are included in offers for others companies or firms. It is possible to find some websites,

internet domains and software providers, who offer their services with discount for NPO. They provide it without any tax allowance only for acquisition of more customers. In case of Czech Post absence of any special offers for NPO can be caused by its monopole in the CR, when we compare with situation in the U.S.A. Another progress can be started, when the monopole of the Czech Post will cease and they might transform into a legal body, which will liberalize the post market, but still keep the power in state hand. On the other hand there are several telephone providers and none do offer anything special for NPO. An opening of this market, away from the grasp of these three big companies could improve the situation aswell.

Present image of nonprofit sector started to develop in the CR since November 1989. It means almost 20 years. There are not so many financially advantageous products for nonprofit nongovernmental organisations maybe because of this short period. Only time can prove this predicate. Further observation of processes in the U.S. nongovernmental sector could provide a future orientation and initial steps to a more complex NPO system in the CR. The information and support of the ICN are only in this way of advantage, if nonprofit nongovernmental organisations and also normal citizens are more ample informed about its portfolio. Only if the wider public is aware of the NPO sector due to continuous reference in media, things will change to the better for all.

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