



# Empirical Analysis on Preferences of Donors and Disclosure of Accounting Information of CSOs

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# Background

- Expansion of tax exemption for Approved Specified Nonprofit Corporations (ASNC)
  - Publication of the Accounting standard for the Specified Nonprofit Corporation (SNC) in Jul. 2010
- Scientific research has not done.

## Focus of previous studies

- Empirical studies:

- How financial status affects giving revenue

- What financial information is regarded important by donors

## Prior studies: factors to give

### Efficiency

- Output price after tax adjustment
- Project, administrative, and fundraising cost ratio

### Stability

- Ratio of Net asset, Margin
- Revenue concentration index

### Reputation

- Activated years, asset in size
- Volunteering time, subsidies and so on

Source: Trussel & Parsons (2008), Weisbrod & Dominguez (1986), Posnett & Sandler (1989), Callen (1994), Tinkelman (1998), Parsons & Trussel (2009)

# Research framework

Conducts a survey to find out what kinds of preference donors have and how they evaluate accounting information

Investigates relations between the preference and donors' evaluation of accounting information

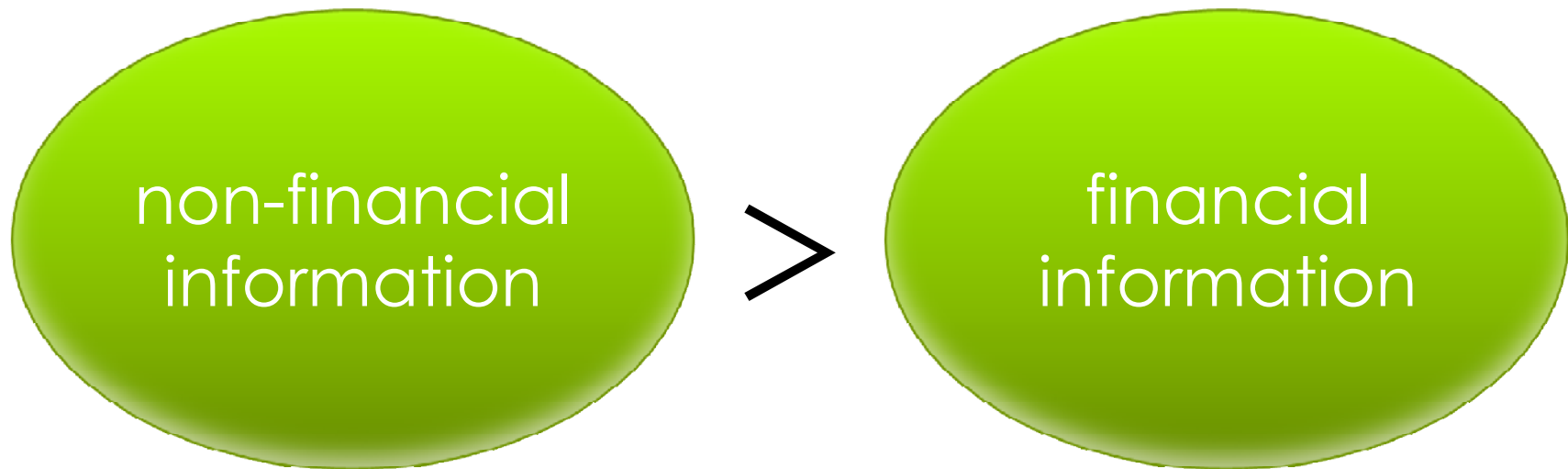
Considers the effective and efficient way of disclosure

## Method: survey & questions

- Target: Members of Two CSOs
  - ICAN: International activities, 70/876 (8%)
  - JHC: Humanities activities, 31/65 (55%)
- (1) Which information do you think important?
  - evaluate by 5-scale
- (2) Which financial data do you prefer if you give?
  - choose one of two sample data

Result (1)-1:  
importance donors consider/  
subjective preference

(Table 2 in the paper)

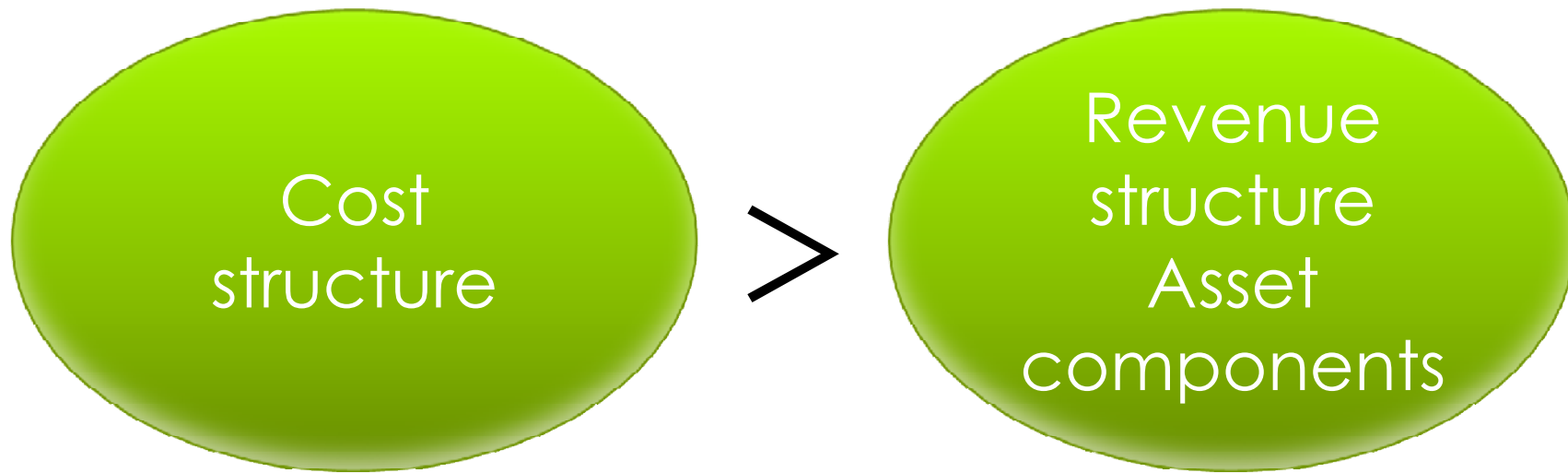


→ mission, goal, descriptive/quantitative  
information of outcomes

## Result (1)-2:

important info in financial items/  
subjective preference

(Table 2 in the paper)



→ project/labor/supplies cost composition



Result (2)-1:  
choose financial data/  
latent preference

(Table 3 in the paper)

<b>expenditure</b>	<b>A</b>	<b>B</b>
Administrative	800,000	600,000
project	300,000	500,000
The others	100,000	100,000
Total	1,200,000	1,200,000

→ with data, the donors dislike the organizations to have larger administrative cost in size

Result (2)-2:  
choose financial data/  
latent preference

(Table 3 in the paper)

→ Revenue structure: inconsistency

Giving > project, diverse > giving, project > diverse

→ Cost structure:

Prefer Smaller labor cost/directors'  
remuneration

→ Dispersion/Retained earnings

Prefer larger amount

# Analysis:

## correlation of subjective/latent preferences

(Table 4 in the paper)

- Subjective: 1/2/3 (order), Latent: 0/1 (dummy)
- Correlations: Kendall's tau-b
- Statistically significant: (subjective \* latent)
  - (+) revenue: project \* project > giving
  - (+) revenue: project \* project > diverse
  - (+) revenue: balance \* diverse > giving
  - (-) revenue: giving \* giving < project
  - (-) revenue: giving \* giving < diverse

## Conclusion:

- Some donors regard giving important, but latently want the organization to have larger project revenue or diverse revenue.
- In terms of labor cost, directors' remuneration, and administrative cost, donors prefer lower in financial data, but subjectively it seems they don't evaluate so.
- Donors may understand the situations of CSOs, but may choose differently to give when they see actual amounts in financial statements.



Thank you very much!!

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