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 been 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

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

non-financial information > financial information
Result (1)-2: important info in financial items/subjective preference

(Table 2 in the paper)

- Project/labor/supplies cost composition

Cost structure > Revenue structure Asset components

→ project/labor/supplies cost composition
Result (2)-1: choose financial data/ latent preference

(Table 3 in the paper)

<table>
<thead>
<tr>
<th>expenditure</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>800,000</td>
<td>600,000</td>
</tr>
<tr>
<td>project</td>
<td>300,000</td>
<td>500,000</td>
</tr>
<tr>
<td>The others</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,200,000</td>
<td>1,200,000</td>
</tr>
</tbody>
</table>

→ 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

- 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

(Table 4 in the paper)
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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