Empirical Analysis on Preferences of Donors to Financial Information of Civil Society Organizations

Hideaki Baba[†] and Yu Ishida[‡]

Abstract:

There have been numerous empirical studies conducted in Western countries regarding the financial information valued by donor stakeholders. In contrast, few such researches have been conducted in Japan despite the current discussions on the expansion of the preferential tax treatment of charitable giving and the introduction of relevant accounting standards. Using a survey this paper investigates the trend where donors seek financial information and reveals what information they value. The survey shows that donors prefer a financial structure with a large program revenue and that they subjectively consider revenue from charitable giving as important. The data also indicate an inconsistency regarding donors' preferences for financial data when deciding to donate. As a result, we were able to reveal the latent decision criteria of donors and can conclude that it would be useful to design a management policy for nonprofit organizations and to disclose appropriate information.

Key words: donor preference, financial information, disclosure, accountability, Specified Nonprofit Corporation in Japan

[†] Associate Professor, Aichi Gakusen University, Japan
[‡] Assistant Professor, Akashi National College of Technology, Japan

1. Background

In Japan, as in many other countries, civil society organizations are expected to provide various public services to their local communities[1]. Recent public policies have encouraged this sort of trend, for instance, Japan's Specified Nonprofit Corporations system was revised to expand funds to the civil society sector by tax exemption treatments for donors—it is anticipated that the number of organizations that will accept preferential tax treatments for charitable giving will increase as a result. However, it seems that Specified Nonprofit Corporations have not been able to provide sufficient financial information to stakeholders because of unreliable accounting methods (Yamauchi et al. 2008).

To improve the reliability of nonprofit corporations' accounting, new accounting standards have been the focus of discussion by intermediary organizations, nonprofit practitioners, grant foundations, and accounting experts, and issued in 2010. Donors, however, are now seeking the provisioning of straightforward accurate financial information as stakeholders, rather than sophisticated accounting.

A series of studies conducted in various European countries and the United States have analyzed the factors that affect giving behavior and examined the financial information provided to stakeholders to improve the fitness for purpose and reliability of information disclosed by civil society organizations. Thus, this research aims to investigate what financial information civil society organizations are expected to disclose to Japanese donors,

[1] 46,327 of specified nonprofit corporations were certificated as of the end of September 2012 in Japan.

and consider a way of disclosure that will improve the reliability of these organizations. Moreover, this paper considers the financial characteristics of the organizations that affect individual giving behaviors by examining the preference of donors.

2. Prior studies and research question

2.1. Giving factors

Weisbrod and Dominguez (1986) analyzed the relationship between giving revenue and output price after tax adjustments[2] or fundraising costs, and found that price had a negative effect and fundraising cost had a positive effect on giving revenue,.

Posnett and Sandler (1989) also included government subsidies and project revenues in Weisbrod and Dominguez's model using data on nonprofit organizations in the United Kingdom, and found there is no crowding out in giving revenue. Callen (1994) took into account volunteer time, and investigated organizations in Canada using data envelopment analysis. The result of that study indicated a complementary relationship between giving revenue and volunteer time. In addition, Tinkelman (1998) classified individual donors and other donors including private enterprises, foundations, and bequests, and found that total assets positively affect giving revenue. Tinkelman (1999) focused on activity fields in the state of New York and found the same effect.

Research on financial efficiency and giving has also produced some interesting results. Greenlee and Brown (1999) empirically analyzed the negative relationship between giving

[2] Charitable giving after a tax adjustment to provide services equivalent to 1 yen (approximately 1 US cent) is calculated by $(1 - T) / (1 - A - F)$, where T is the marginal tax rate, A is the administrative cost ratio, and F is the fundraising cost ratio. This can be described as the reciprocal number of the project cost after a tax adjustment.

revenue and the administrative cost ratio while also looking at the positive relationship between giving revenue and the fundraising cost ratio. Frumkin and Kim (2001) examined the relationship between the administrative cost ratio and giving in six activity fields. Moreover, Marudas (2004) analyzed relationships of financial stability and giving using the feasible years of a net asset as a variable, where a net asset is divided by yearly costs. Parsons and Trussel (2009) investigated factors affecting giving revenue using four financial indices earlier proposed by Tuckman and Chang (1991), in terms of the vulnerability of nonprofit organizations such as the net asset ratio, revenue concentration index, administrative cost ratio, and margin rate. Table 1 shows the financial factors that affect giving as identified in previous studies.

Table 1: Financial factors affecting giving

Financial factors	Proxy variables	Measurement methods	References
Efficiency	Output price after tax adjustment	Total cost after tax adjustment / project cost	Weisbrod and Dominguez (1986)
	Project cost ratio	Project cost / total cost	Weisbrod and Dominguez (1986)
	Administrative cost ratio	Administrative cost / total cost	Parsons and Trussel (2009)
	Fundraising cost ratio	Fundraising cost / total cost	Weisbrod and Dominguez (1986)
Stability	Net asset ratio	Net asset / total revenue	Parsons and Trussel (2009)
	Revenue concentration index	Σ(revenue from each source / total revenue)^2	Parsons and Trussel (2009)
	Margin rate	(Total revenue – total cost) / total revenue	Parsons and Trussel (2009)
Reputation	Activated years	Duration years as tax exempt organization	Weisbrod and Dominguez (1986)
	Size	Total assets	Tinkelman (1998)
	Volunteer	Time of volunteering	Callen (1994)
	Subsidies revenue	Government subsidies	Posnett and Sandler (1989)
	Project revenue	Self-earning project revenue	Posnett and Sandler (1989)
	Other revenue	Total revenue – (giving + subsidies + project revenue)	Posnett and Sandler (1989)

Source: Authors based on Trussel and Parsons (2008)

2.2. Financial information donors concern about

In this section, to identify donors' preferences toward financial information and to better determine appropriate research methods, we look at previous studies on what financial information donors value.

Gordon and Khumawala (1999) normatively indicated that donors regard "services provided by organizations" and "to spend the giving in good use" as important factors on which to base their decision making even though it is not clearly understood how financial statements are utilized in the decision making process of donors. Parsons (2003) conducted a survey and found that efficiency, effectiveness, and financial stability are significant financial information for donors.

Hyndman (1990) conducted empirical research using a questionnaire to determine which sections of financial reports donors were interested in. That study found that non-financial information such as the organization's goals, activities, and outcome are more important to donors. In addition, it found that donors prefer a summary rather than detailed financial statements, that is, they want access to information on efficiency, such as administrative cost ratios. Hyndman (1991) then surveyed staffs preparing financial reports, and found there is a gap between staffs who emphasize providing detailed financial information and donors who expect to understand the summary of financial information and the detailed non-financial information.

Khumawala and Gordon (1997), who used an experimental research method, considered graduate students as latent donors, and asked which financial information is regarded as important. As a result, the goal of the organization, service efforts and accomplishments information, items of cost, assets, and cash flow were deemed as more important than limitations on the use of funds, and accounting policies. Parsons (2007) studied two latent donor groups to compare differences where a donation request letter was sent either with or without financial information, and found that the group that received financial information with the request gave more money than the other group.

3. Research method

3.1. Issues to investigate

Based on the previous studies in the last section, in this study we conducted a questionnaire survey with donors who pay membership fees or give to nonprofit

organizations. In addition, we also executed a survey with general citizens as comparative investigation.

First, the survey asked the donors to indicate using a 5-point scale how important they considered 18 information items that might affect their decision making (see Table 2). The 18 items included the history of the organization and the purpose of its activities (Q1–2), outcome information (Q3–4), revenue structure (Q5–7), expense structure (Q8–11), profit margin and retained earnings (Q12–14), budget (Q15), staff (Q16–17), and tax exemptions (Q18).

Even though previous studies in Western countries have indicated that donors tend to pay attention to the purpose or outcome of activities, few concrete researches in terms of donors' preferences to financial information has been conducted. Therefore, this paper aims first to understand how donors are "explicitly" interested in the information that nonprofit organizations provide to identify more effective information disclosure.

Second, the survey proposed 13 choices in terms of the financial data of a nonprofit organization, and asked respondents which choice they preferred to identify the preferred financial characteristics of donors. The 13 choice questions were constructed by referring to financial indices affecting contributions as shown in Table 1. These are as follows: revenue structure (3 patterns), expense structure (3 patterns), profit margin (3 patterns), asset components (1 pattern), and retained earnings (3 patterns).

Discussions on the desirable financial status of nonprofit organizations identified several ideas, including that organizations should make better use of autonomous sources of revenue including project revenue, secure diverse sources of revenue, keep labor costs low by stabilizing employment, reduce administrative costs and use that money for projects,

retain the margin to balance revenue and expenses, and maintain a surplus; however, such suggestions are not always complementary. Indeed, it is not easy for donors to make their giving decisions based solely on financial information, so in many cases they decide who to give to by intuitively and unconsciously evaluating an organization's financial status. Thus, this paper aims to grasp how the donors "implicitly" evaluate and make decisions using the estimated financial data.

Finally, this paper collates donors' consciously explicit choices regarding information items with subconsciously implicit choices and examines the behaviors to determine whether they use rational decision making or not.

3.2. Targets of survey

We collaborated with the Nagoya NGO Center, which is classified as a Specified Nonprofit Organization under Japanese nonprofit organization Law, and invited other organizations to participate in the survey. We selected two organizations, ICAN and JHC. The former is a tax deductible Approved Specified Nonprofit Corporation with approximately 1,000 members and the latter is a non-deductible Specified Nonprofit Corporation with 60 members. We surveyed individual donors who paid membership fees or gave a donation during the 2009 fiscal year.

We distributed the questionnaire sheets to 876 ICAN donors and to 56 JHC donors, and we received 70 and 31 completed forms, respectively—the respondent rate is 10.8%, and 35% of respondents are male and 65% are female. The respondents make up the following age groups: 20–29: 20.2%, 30–39: 26.3%, 40–49: 21.2%, 50–59: 13.1%, and 60–69: 19.2%.

This survey does have some limitations. For example, our samples come from just two organizations, so sampling bias may occur. Thus, we conducted a comparative survey to 2,000 citizens by using online questionnaires operated by the NetMile Inc.—50% of respondents are male and 50% are female, and the respondents make up the following age groups: 20–29: 17.0%, 30–39: 21.0%, 40–49: 20.0%, 50–59: 20.0%, and 60–69: 22.0%.

4. Results

4.1. Donors' explicit preferences to information items

Table 2 shows how the respondents rated the information items contained in the 18 questions. They answered each question using a 5-point evaluation, and we calculated the weighted mean. In addition, we changed the answers to fit a 3-point scale in Table 2 to simplify the results.

In sum, the donors of both organizations considered the following to be important: "purposes of activities and missions of organizations", "goals of activities and budget for next year", "descriptive information about outcomes", and "quantitative information about outcomes". Thus, it was confirmed that Japanese donors' awareness of non-financial information such as purposes and outcomes of activities was higher than that for financial information, as was found in previous Western studies. However, when we focus on financial information, donors had a greater interest in an organization's expense structure, for example "project cost", "how efficiently labor cost is used", and "purpose of expense", than revenue structure or asset components. Furthermore, donors also paid less attention to margins, property, retained earnings, and directors' remuneration.

On the other hand, general citizens showed an opposite of donors' propensity, and were more interested in financial information than non-financial information. This result indicates citizens paid less attention to the organizations' activities, but more concerned about financial transparency such as purpose of funds.

Moreover, private enterprises tend to attach greater importance to reliability regarding human resources, and they will look at the board members of a nonprofit organization when deciding whom to give to. However, individual donors, the focus of our study, paid less attention to the "status and occupation" of board members and staff, and tend to attach greater importance to "personal relations" with them.

Further, the respondents from both organizations evaluated tax exemption treatment as being of least importance. Charitable giving to Approved Specified Nonprofit Corporations in Japan before the introduction of the tax credit in June 2011 did not offer a significant tax rebate,[3] so the tax benefit obtained by giving a donation was limited. Therefore, it seems that donors do not decide where to donate based on tax exemption merits, but rather consider the organizations' activities.

[3] After the amendment of the act donors could choose a tax deduction or tax credit in the case of an individual giving to Approved Specified Nonprofit Corporations. Before the amendment, a tax deduction was the only benefit available.

Table 2: Donors' explicit preferences to organization's information

	Information items	Approved Specified Nonprofit Corporation: ICAN (N=64)					Specified Nonprofit Corporation: JHC (N=31)					General Citizens (N=2,000)				
		rank	weighted mean	importance (%)			rank	weighted mean	importance (%)			rank	weighted mean	importance (%)		
				high	middle	low			high	middle	low			high	middle	low
1	Activated years and history of the organization	8	3.27	39.1	39.1	21.9	14	3.26	38.7	38.7	22.6	16	3.15	38.9	39.4	21.8
2	Purposes of activities and missions of organizations	1	4.69	96.9	3.1	0.0	1	4.84	96.8	3.2	0.0	5	3.52	56.5	27.5	16.0
3	Descriptive information about outcomes	2	4.13	79.7	18.8	1.6	4	4.03	77.4	22.6	0.0	14	3.34	48.4	33.6	18.1
4	Qualitative information about outcomes	4	3.72	60.9	32.8	6.3	3	4.06	74.2	25.8	0.0	12	3.36	49.4	33.5	17.2
5	Amount of project revenue	14	3.06	25.0	51.6	23.4	12	3.32	32.3	58.1	9.7	11	3.38	49.2	33.0	17.9
6	Amount of revenue from giving and subsidies	11	3.16	34.4	45.3	20.3	9	3.58	48.4	41.9	9.7	10	3.40	49.5	33.2	17.4
7	To secure diverse revenue sources (dispersion among project, giving, and other revenues)	11	3.16	32.8	43.8	23.4	10	3.48	51.6	35.5	12.9	13	3.36	48.2	34.0	17.9
8	Purpose of expense (labor, travel, rent, and supplies, etc.)	7	3.36	45.3	34.4	20.3	6	3.74	77.4	12.9	9.7	2	3.59	58.2	25.6	16.3
9	How efficiently labor cost is used	6	3.55	53.1	29.7	17.2	5	3.87	64.5	32.3	3.2	1	3.62	59.1	25.1	15.9
10	Amount of directors' remuneration	13	3.13	35.9	39.1	25.0	12	3.32	35.5	54.8	9.7	4	3.54	55.9	27.2	17.0
11	Amount of project cost	5	3.70	57.8	35.9	6.3	7	3.65	61.3	32.3	6.5	3	3.55	57.0	27.8	15.3
12	Amount of margin	10	3.17	31.3	51.6	17.2	10	3.48	48.4	45.2	6.5	6	3.49	53.6	30.1	16.3
13	Asset and property that the organization holds	15	3.02	26.6	48.4	25.0	15	3.23	29.0	58.1	12.9	8	3.44	51.0	31.9	17.2
14	Amount of retained earnings	16	2.97	25.0	51.6	23.4	16	3.16	22.6	64.5	12.9	9	3.42	49.9	32.9	17.3
15	Goals of activities and budget for next year	3	4.09	81.3	15.6	3.1	2	4.13	80.7	16.1	3.2	7	3.46	54.2	29.7	16.2
16	Composition of human resources such as the board members and staffs (status and occupation)	17	2.86	21.9	45.3	32.8	17	3.10	29.0	48.4	22.6	17	3.13	37.2	40.9	22.0
17	Human relations with the board members or staffs (personal relations)	9	3.22	39.1	39.1	21.9	8	3.61	48.4	41.9	9.7	18	3.11	36.1	41.7	22.3
18	Whether tax exemption treatment is applied	18	2.70	23.4	35.9	40.6	18	3.03	35.5	35.5	29.0	15	3.24	42.5	38.5	19.1

Source: Authors

4.2. Donors' implicit preferences to financial information

Our survey provided estimated financial data for two organizations, A and B, which supposedly conduct identical activities. Respondents were asked which organization they would like to donate to. Table 3 shows the results. The upper column shows the ratio including "others", which is the sum of "don't mind either way" and "cannot classify", and the lower column shows the ratio excluding "others".

In the questionnaire, we prepared choices that considered "financial information that indicates the implicit preference", which the donors or general citizens selected either consciously or unconsciously. The questions simply showed financial data without any descriptions to avoid any preconceptions by the respondents.

As a result, ICAN donors tended to regard "giving revenue" as important, and those JHC donors and citizens considered "project revenue" as important. This may indicate that organization status can affect donor preference, as ICAN is an Approved Specified Nonprofit Corporation so that giving to this organization would be applied as a tax exemption treatment, but not so for JHC. However, when we asked whether they prefer diverse revenue or not, a large number of donors to both organizations and citizens also answered that they prefer organizations with greater project revenue than diverse revenue. Therefore, even though donors explicitly answered that they prefer giving revenue to project revenue, they would implicitly expect a nonprofit organization to have more project revenue to maintain financial autonomy.

In terms of expense structure, donors and citizens dislike greater labor costs and higher directors' remuneration. Also, it is likely that they are not as receptive to organizations with higher administrative cost ratios. A large number of nonprofit organizations are currently struggling to secure sufficient funds for operating costs as well as project costs. In this situation, the survey results raise serious questions as

how to maintain the operation of organizations with what financial resources. Thus, organizations are required to carefully explain how donations are used to cover administrative costs.

In terms of margins, the majority of respondents accept that organizations hold surpluses even though not a small number of JHC donors would prefer organizations to have no surplus at all. Some donors strongly believe that nonprofit organizations should have balanced income and expenses. However, organizations need to have some surplus money to cover future investments and risks.

Finally, in terms of asset components and retained earnings, Table 3 shows many donors and citizens recognize that it is important to secure cash, and also to have larger current assets. Further, some JHC donors and citizens consider zero or minus net assets as important as well as holding a surplus. Thus, they would feel that a further donation was unnecessary if an organization had excess net assets, even though donors recognize that healthy cash levels could mean stable operations.

Table 3: Donors' implicit preferences to financial information

Financial information		Choices (yen) A		Choices (yen) B		Respondents of ICAN (N=63, %) A	B	Others	Respondents of JHC (N=29, %) A	B	Others	General Citizens (N=2,000, %) A	B	Others
Revenue structure	(i) project revenue or giving	giving	200,000	giving	800,000	23.8	27.0	49.2	37.9	31.0	31.0	29.0	21.7	49.4
		project	800,000	project	200,000	46.9	53.1		55.0	45.0		57.2	42.8	
		subsidies	200,000	subsidies	200,000									
		total	1,200,000	total	1,200,000									
	(ii) project revenue or diverse sources	giving	200,000	giving	400,000	25.4	22.2	52.4	31.0	24.1	44.8	26.8	22.0	51.3
		project	800,000	project	400,000	53.3	46.7		56.3	43.8		54.9	45.1	
		subsidies	200,000	subsidies	400,000									
		total	1,200,000	total	1,200,000									
	(iii) giving or diverse source	giving	800,000	giving	400,000	23.8	28.6	47.6	17.2	34.5	48.3	16.6	30.7	52.8
		project	200,000	project	400,000	45.5	54.6		33.3	66.7		35.1	64.9	
		subsidies	200,000	subsidies	400,000									
		total	1,200,000	total	1,200,000									
Expense structure	(iv) variety or labor cost	labor	500,000	labor	800,000	34.9	20.6	44.4	24.1	20.7	55.2	29.5	19.7	50.8
		supplies	400,000	supplies	200,000	62.9	37.1		53.9	46.2		60.0	40.0	
		rent	300,000	rent	200,000									
		total	1,200,000	total	1,200,000									
	(v) more or less directors' remuneration	directors' remuneration	100,000	directors' remuneration	200,000	42.9	11.1	46.0	55.2	0.0	44.8	32.5	12.7	54.9
		labor	900,000	labor	800,000	69.4	20.6		###	0.0		72.0	28.0	
		supplies	200,000	supplies	200,000									
		total	1,200,000	total	1,200,000									
	(vi) cost of administration or project	project	600,000	project	800,000	4.8	61.9	33.3	0.0	41.4	58.6	9.1	37.9	53.1
		administrative	500,000	administrative	300,000	7.1	92.9		0.0	###		19.4	80.6	
		the others	100,000	the others	100,000									
		total	1,200,000	total	1,200,000									
Margin	(vii) larger or smaller on margin	giving revenue	200,000	giving revenue	200,000	33.3	33.3	33.3	27.6	20.7	51.7	24.2	23.0	52.9
		project revenue	1,000,000	project revenue	1,000,000	50.0	50.0		57.1	42.9		51.3	48.7	
		project cost	△ 900,000	project cost	△ 1,100,000									
		balances	300,000	balances	100,000									
	(viii) zero or plus on margin	giving revenue	200,000	giving revenue	200,000	23.8	44.4	31.8	24.1	24.1	51.7	16.5	28.8	54.7
		project revenue	1,000,000	project revenue	1,000,000	34.9	65.1		50.0	50.0		36.4	63.6	
		project cost	△ 1,200,000	project cost	△ 1,100,000									
		balances	0	balances	100,000									
	(ix) minus or zero on margin	giving revenue	200,000	giving revenue	200,000	15.9	55.6	28.6	17.2	31.0	51.7	9.1	37.0	54.0
		project revenue	1,000,000	project revenue	1,000,000	22.2	77.8		35.7	64.3		19.7	80.3	
		project cost	△ 1,300,000	project cost	△ 1,200,000									
		balances	△ 100,000	balances	0									
Asset components	(x) larger size in cash or other asset	cash	700,000	cash	200,000	52.4	4.8	42.9	34.5	10.3	55.2	34.0	13.9	52.1
		receivable	100,000	receivable	500,000	91.7	8.3		76.9	23.1		71.0	29.0	
		fixed asset	200,000	fixed asset	500,000									
		total	1,000,000	total	1,200,000									
Retained earnings	(xi) larger or smaller on net asset	cash	300,000	cash	300,000	52.4	9.5	38.1	31.0	17.2	51.7	32.2	15.3	52.6
		receivable	200,000	receivable	200,000	84.6	15.4		64.3	35.7		67.8	32.2	
		loan	△ 200,000	loan	△ 400,000									
		balances	300,000	balances	100,000									
	(xii) plus or zero on net asset	cash	300,000	cash	300,000	50.8	9.5	39.7	27.6	20.7	51.7	30.9	13.2	56.0
		receivable	200,000	receivable	200,000	84.2	15.7		57.1	42.9		70.1	29.9	
		loan	△ 400,000	loan	△ 500,000									
		balances	100,000	balances	0									
	(xiii) zero or minus on net asset	cash	300,000	cash	300,000	54.0	9.5	36.5	27.6	20.7	51.7	34.7	10.4	54.9
		receivable	200,000	receivable	200,000	85.0	15.0		57.1	42.9		76.9	23.1	
		loan	△ 500,000	loan	△ 600,000									
		balances	0	balances	△ 100,000									

Source: Authors

Note: 1 USD is approximately 80 yen.

4.3. Correlation between explicit preferences and implicit preferences

With two types of data, explicit preferences and implicit preferences, we were able to calculate correlation coefficients and test whether their relationships were statistically significant to examine whether donors' preferences are consistent.

The variable of explicit preference is captured with an ordered scale of 1 to 3, and implicit preference is a dummy variable. Answers were provided using the ordered scale and as we were not sure whether those variables followed a normal distribution, we employed Kendall's Tau-b to calculate correlation coefficients and test their significance. A null hypothesis means their relations are independent, and the preferences may have some kind of relation if the null hypothesis is rejected.

Table 4 shows the results, and a positive sign indicates that explicit preference and implicit preference are consistent in the respondents, and a negative sign that they are inconsistent.

In terms of revenue structure the results show the donors and citizens who regard project revenue as important tend to choose a larger project revenue in the financial data (A and B in Table 4). In contrast, donors and citizens who pay attention to giving revenue do not tend to choose a larger giving revenue, rather they choose a larger project revenue (C in Table 4). Moreover, ICAN donors also prefer a diverse revenue structure than a larger giving revenue (D in Table 4). Therefore, donors subconsciously prefer a larger project revenue while they subjectively think that giving revenue is important when making their donation decisions. Further, ICAN donors who consider diverse revenue sources as important consistently choose diverse revenue structure rather than larger giving revenue (F in Table 4).

In terms of expense structure, margin, and retained earnings, the results show no statistically significant relationships among explicit preference and implicit preference for donors. However, general citizens who regard purpose of expense and labor cost efficiency as important tend to prefer a various cost structure, low labor cost and small directors' remuneration (G, H, I and J in Table 4). Further, those citizens who consider an amount of margin or retained earnings as important consistently choose a larger margin or net assets in the financial data (L, N, O, P and Q in Table 4).

Table 4: Correlation between explicit preferences and implicit preferences

	Explicit preference (3=high, 2=middle, 1=low)	Implicit preference (former=1, latter=0)		Correlation coefficient		
				Approved Specified Nonprofit Corporation: ICAN	Specified Nonprofit Corporation: JHC	General Citizens
Revenue structure	Amount of project revenue	(A)	project | giving	0.39 **	0.28	0.11 ***
		(B)	project | diverse	-0.04	0.46 *	0.02
	Amount of revenue from giving and subsidies	(C)	giving | project	-0.34 **	-0.24	-0.10 ***
		(D)	giving | diverse	-0.37 **	-0.05	0.04
	To secure diverse revenue sources (dispersion among project, giving, and other revenues)	(E)	diverse | project	-0.01	-0.25	-0.05
		(F)	diverse | giving	0.52 ***	-0.08	-0.03
Expense structure	Purpose of expense (labor, travel, rent, and supplies, etc.)	(G)	variety | labor cost	0.06	0.32	0.13 ***
	How efficiently labor cost is used	(H)	variety | labor cost	0.12	-0.10	0.12 ***
		(I)	directors' remuneration small | large	0.13	N.A.	0.20 ***
	Amount of directors' remuneration	(J)	directors' remuneration small | large	0.11	N.A.	0.20 ***
	Amount of project cost	(K)	project cost | administrative cost	0.15	N.A.	0.06
Margin	Amount of margin	(L)	large | small	0.16	0.13	0.12 ***
		(M)	plus | zero	0.13	-0.03	0.02
		(N)	zero | minus	0.20	0.34	0.15 ***
Retained earnings	Amount of retained earnings	(O)	large | small	0.03	0.18	0.13 ***
		(P)	plus | zero	0.06	0.22	0.11 ***
		(Q)	zero | minus	0.05	0.09	0.17 ***

Note : ***, **, * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. N.A. indicates calculation was not possible.
Source: Authors

5. Conclusions

Our survey found that donors are more interested in non-financial information than financial information when choosing an organization to donate to, but general citizens show an antithesis propensity. However, in terms of financial information, both of donors and citizens are more interested in an organization's expense structure than its revenue structure or asset components. In other words, they regard how the money is used as important, for example the organization's project and labor costs.

Further, in our survey we sought to identify the implicit preferences of donors by showing them estimated financial data. Donors to the Approved Specified Nonprofit Corporation chose larger donation revenue, while donors to the Specified Nonprofit Organization and general citizens valued larger project revenue. In addition, the donors of both organizations and citizens chose diverse income rather than solely giving income. In terms of expense structure, respondents disliked higher labor cost ratios and preferred a higher project cost ratio.

Correlations between explicit preference and implicit preference show an inconsistent result, where donors prefer larger project revenue even though they

consider donation revenue as important. Moreover, this indicates that the donors do not consciously decide on their preferences.

These results imply that nonprofit organizations need to be aware of how they disclose financial information. Thus, organizations should, for example, explain their stability and prospects if they are highly dependent on donation revenue. They should provide objective understandable information when their labor or administrative costs are high. In addition, they need to carefully explain the necessity of and future plans for profit margins or retained earnings. Further, organizations should pay attention to the findings of previous Western studies, and act on the fact that donors prefer financial information presented in simple and clear formats.

Acknowledgements

This article was part of a research outcome that was funded by the Grant-in-Aid for Young Scientists (B) (23730384) by JSPS (Principle Investigator: Hideaki Baba). And, we are deeply grateful to three civil society organizations, which are ICAN, JHC, and Nogaya NGO Center, for their cooperation to our survey.

Reference

Callen, J. (1994). Money donations, volunteering and organizational efficiency. *Journal of Productivity Analysis, 5*(3), 215-228.

Frumkin, P., & Kim, M. (2001). Strategic positioning and the financing of nonprofit organizations: Is efficiency rewarded in the contributions marketplace? *Public Administration Review, 61*(3), 266-275.

Gordon, T. P., & Khumawala, S. B. (1999). The demand for not-for-profit financial statements: A model of individual giving. *Journal of Accounting Literature, 18*, 31-56.

Greenlee, J. S., & Brown, K. L. (1999). The impact of accounting information on contributions to charitable organizations. *Research in Accounting Regulation, 13*, 111-125.

Hyndman, N. (1990). Charity accounting: An empirical study of the information needs of contributors to UK fund raising charities. *Financial Accountability & Management, 6*(4), 295-307.

Hyndman, N. (1991). Contributors to charities: A comparison of their information needs and the perceptions of such by the providers of information. *Financial Accountability & Management, 7*(2), 69-82.

Khumawala, S. B., & Gordon, T. P. (1997). Bridging the credibility of GAAP: Individual donors and the new accounting standards for nonprofit organizations. *Accounting Horizons, 11*(3), 45-68.

Marudas, N. P. (2004). Effects of nonprofit organization wealth and efficiency on private donations to large nonprofit organizations. *Research in Governmental and Nonprofit Accounting, 11*, 71-91.

Parsons, L. M. (2003). Is accounting information from nonprofit organizations useful to donors? A review of charitable giving and value-relevance. *Journal of Accounting Literature, 22*, 104-129.

Parsons, L. M. (2007). The impact of financial information and voluntary disclosures on contributions to not-for-profit organizations. *Behavioral Research in Accounting, 19*, 179-196.

Parsons, L. M., & Trussel, J. M. (2009). Fundamental analysis of not-for-profit financial statements: An examination of financial vulnerability measures. *Research in Governmental and Nonprofit Accounting, 12*, 35-56.

Posnett, J., & Sandler, T. (1989). Demand for charity donations in private non-profit markets: The case of the U.K. *Journal of Public Economics, 40*(2), 187-200.

Tinkelman, D. (1998). Differences in Sensitivity of Financial Statement Users to Joint Cost Allocations: The Case of Nonprofit Organizations. *Journal of Accounting, Auditing & Finance, 13*(4), 377-393.

Tinkelman, D. (1999). Factors affecting the relation between donations to not-for-profit organizations and an efficiency ratio. *Research in Governmental and Nonprofit Accounting, 10*, 135-161.

Trussel, J. M., & Parsons, L. M. (2008). Financial Reporting Factors Affecting Donations to Charitable Organizations. *Advances in Accounting, 23*, 263-285.

Tuckman, H. P., & Chang, C. F. (1991). A Methodology for Measuring the Financial Vulnerability of Charitable Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly, 20*(4), 445-460.

Weisbrod, B. A., & Dominguez, N. D. (1986). Demand for collective goods in private nonprofit markets: Can fundraising expenditures help overcome free-rider behavior? *Journal of Public Economics, 30*(1), 83-96.

Yamauchi, N., Baba, H., & Ishida, Y. (2008). Financial status and accounting issues in Specified Nonprofit Corporations: Findings from the financial database project. *Hieiri Houjin Kenkyu Gakkaishi, 10*, 73-88. (in Japanese)