Political Power or Professional Power: An Analysis of Factors Influencing Chinese Foundation's Private Donation

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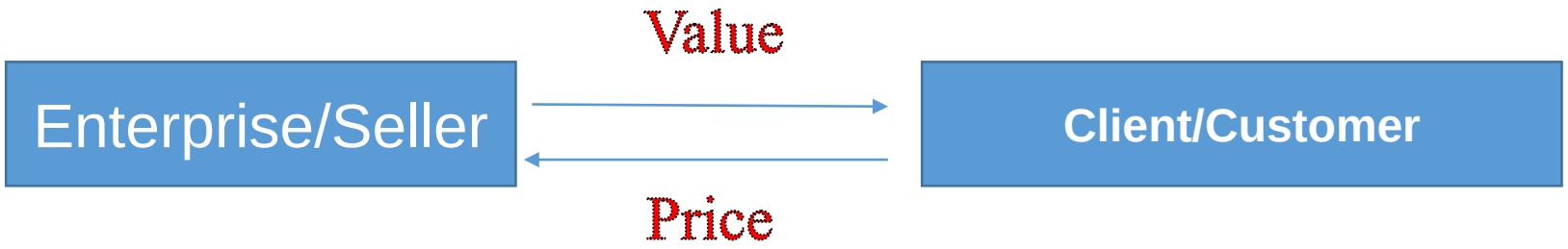
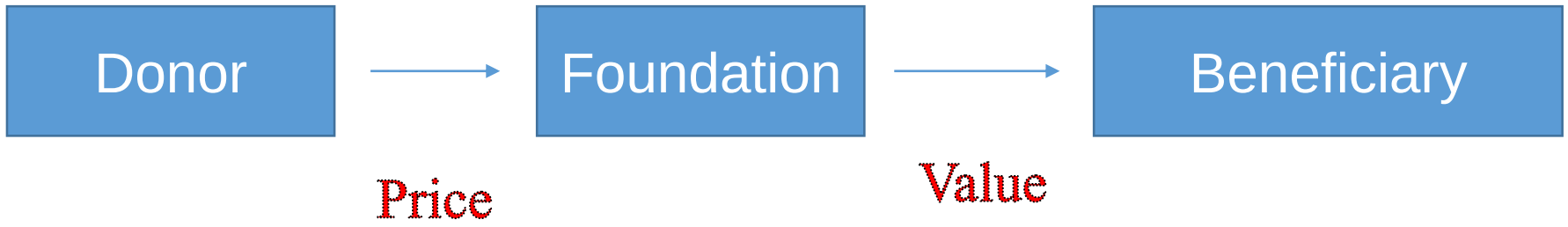
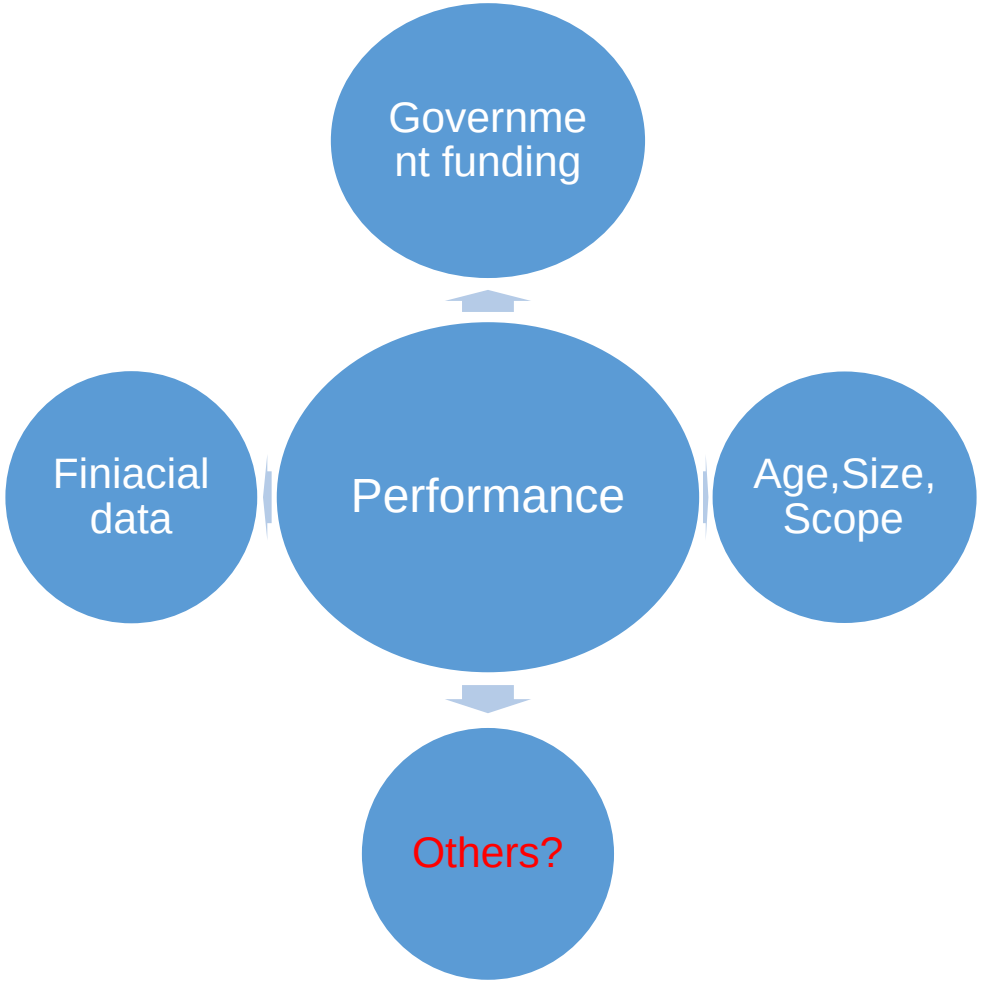
The characteristics of nonprofit sector

- No universal equivalent in nonprofit sector.
- Two clients in nonprofit sector.
- **What information could be used by donor to make their giving decision?**





Predictors of private donation to nonprofits



1. Ideally, donors want to give money to high-quality nonprofits;
2. However, information asymmetries result in contract failures (Hansmaan 1980; 1987; Krashinsky 1986;1997);
3. Donors rely instead on easily observable characteristics as proxies of performance(Jacobs and Marudas 2009);
4. US VS China.

The China’s state-society relationship

- Authoritarian political regimes. (One party-CCP)
- “Differentiated Controls”(Kang,2005);
- “Contingent Symbiosis”(Spires,2011);
- “Consultative Authoritarianism”(Teets,2013);
- “Tacit Sanctioning Behavior”(Hsu,2014);
- “Embedded Control”/ “Indirect Control”(Ni & Zhan, 2017; Wei, 2017).
- **In brief, the state/political power have great influence on nonprofits.**

The professionalization of China’s nonprofit sector

- China’s nonprofits have become more professionalized in recent years, however, there are few studies focusing on this process and its effect on the financial performance of nonprofits.
- How to define professionalization in nonprofits?
  - Full-time staff or executive directors (e.g., Hwang and Powell 2009; Sua´rez 2011);Adoption of standard, professional decision-making practices (Grissom 2010)**;** Professionalization is an important management approach for achieving mission(As Sua´rez ,2011: 321) .
- My opinion:
  - Professional administrative management;
  - Professional financial management ;
  - Professional program management .

Research questions

- 1. What factors could influence Chinese foundation’s private donation income?
- 2. Comparing political power and professional power, which factor have more impact on private donation?
- 3. Which aspect of professionalization have more impact of private donation?
  - Professional administrative management;
  - Professional financial management ;
  - Professional program management .

Operationalizing private donation

Dependent Variable(DV): Private Donation

- The private donation is the amount of total private donations in a particular year (Unrestricted donation income + Restricted donation income)

Operationalizing political power

Political Power/ Government connections

- Government founding **(Wei, 2017)**
- Government officials are employees or board members (the number of current government officials are employee or board members + the number of retired senior-level government officials who hold leadership positions in a foundation) (**Wei, 2017 ;Ma, 2019**)
- State-linked foundations (SLFs); Non-state-linked foundations(NSFs)- Dummy variable **(Ni & Zhan,2017;Wang, 2018; Ma, 2019)**
    - The founding organization is governmental or quasi-governmental;
    - The initial endowment is from a governmental agency;
    - The current or retired government officials are employees or board members;
    - They share the same office address with supervising or sponsoring governmental or quasigovernmental Organizations.

Operationalizing professional power

- **Professional power**

  Professional administrative management

  - the number full-time employee

  Professional financial management

  - Accountant qualification –dummy variable **(Ni, Chen, Ding, & Wu, 2017)**

  Professional program management (my assumption)

  - Evaluation result (1A-5A)

China’s foundation evaluation

- In China, foundation registered for three years should be evaluated, because only the foundations which above 3A（we have 5 levels, from 1A to 5A）could get tax deduction status. But the evaluation mechanisms are very different in different province.
- Foundations in China are very different from the US’s. More than 80% foundations in China conduct programs by themselves instead of supporting other NPOs. As a result, evaluators pay more attention on their program’s effectiveness, not just financial efficiency.
- So, the evaluation result are good indicator reflect a foundation’s program professionalization.

Control Variables

- **Age:** the time between each organization's year of founding and the year of observation
- **Size:** total assets
- **Board size :**the number of board members
- **Scope**: National level or Regional level

(Ni, Chen, Ding, & Wu,2015; Ni & Zhan, 2017; Nie, Liu, & Cheng, 2015; Wei, 2017; Ma,2019).

Variables	Operationalization	Measure
DV: Private Donation	The amount of total private donations in a particular year	Unrestricted donation income + Restricted donation income
IV:Professional Power	Foundation evaluation scale	5A, 4A, 3A,2A,1A
	The number full-time employee	Number full-time employee
IV:Governemt Power	Government funding	Government subsidies(cash)
	State-linked foundations	Dummy variable (0:NSF; 1: SLF)
	Number of government officials serving as principals	Number of current government officials + Number of retired senior-level government officials
CV:Organizational Variables	Size	Total asset
	Age of organization	The time between each organization's year of founding and the year of observation
	Board size	Number of board members
	Scope	National level or Regional level
	Fundraising type	Dummy variable (0: Non-public fundraising ; 1: Public fundraising)

Data Source

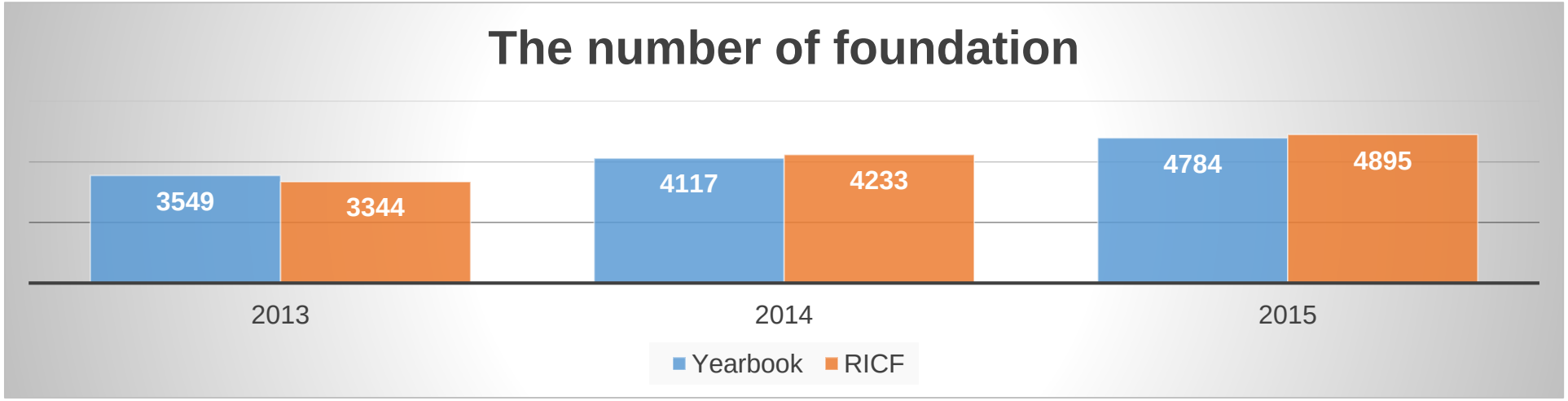
- **RICF**
  - RICF is the research infrastructure of Chinese foundations, a database for Chinese civil society studies (2013-2016).
  - Source link: https://github.com/ma-ji/RICF
  - Codebooks: https://github.com/ma-ji/RICF/blob/master/RICF%20Codebook.xlsx
- **Qun Wang' s data (Wang_2018)**
  - He coded 4231 Chinese foundation to clarify their state-link.
  - State-linked foundations (SLFs); Non-state-linked foundations(NSFs)

Data Validation

- China Statistical Yearbook-The Number of Foundation(National Bureau of Statistics of China) 2009-2017

  http://data.stats.gov.cn/easyquery.htm?cn=C01

- RICF- The Number of Foundation, 2013-2015



Dataset

- In order to answer my question, I extracted variables and merged five data frameworks as following:
  - Basic information_2015
  - Financial_activities_2015
  - Cash flow_2015
  - Financial position_2015
  - Wang_2018

Letter Code	Meaning	Source
ricf_oid	Organization ID	RICF: Basic_2015
fa_dint	Total donation income	Count
ba_evl	Foundation evaluation scale	RICF: Basic_2015
ba_nfe	The number full-time employee	RICF: Basic_2015
cf_govc	Government funding	RICF:Cash flow_2015
sc_gongo	Is state-linked foundations	Wang_2018(self-coded)
ba_gvof	Number of government officials serving as principals	Count
fp_tt	Total liabilities and net assets	RICF: Financial Position
ba_age	Organization's age	Count
ba_bn	Number of board members	RICF: Basic_2015
sco_na	Scope: National level or Regional level	Wang_2018(self-coded)
ba_ntr	Fundraising type	RICF: Basic_2015

Method

Multiple regression model:

Model_1:

$$Donations_i = \alpha_i + \beta Controls_r + \varepsilon_i$$

Model_2:

$$Donations_i = \alpha_i + \beta PolitPower_i + \gamma Controls_r + \varepsilon_i$$

Model_3:

$$Donations_i = \alpha_i + \beta ProfPower_i + \gamma Controls_r + \varepsilon_i$$

Model_4:

$$Donations_i = \alpha_i + \beta PolitPower_i + \gamma ProfPower_i + \delta Controls_r + \varepsilon_i$$

Results： model_1

```
reg fa_dintnew  fp_ttnew ba_agenew ba_bnnew sco_na2 ba_ntr2
```

Source	SS	df	MS		
Model	294100.722	5	58820.1444	Number of obs	= 493
Residual	7954134.04	487	16332.9241	F(5, 487)	= 3.60
				Prob > F	= 0.0033
Total	8248234.77	492	16764.7048	R-squared	= 0.0357
				Adj R-squared	= 0.0258
				Root MSE	= 127.8

fa_dintnew	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
fp_ttnew	.0292032	.0407872	0.72	0.474	-.0509375	.1093439
ba_agenew	-.7013103	.5834441	-1.20	0.230	-1.847689	.4450682
ba_bnnew	-.9230559	.7076253	-1.30	0.193	-2.313431	.4673195
sco_na2	43.19917	13.60436	3.18	0.002	16.46868	69.92967
ba_ntr2	10.05838	12.02276	0.84	0.403	-13.5645	33.68126
_cons	184.9397	23.13649	7.99	0.000	139.4801	230.3994

Results： model_2

```
. reg fa_dintnew  fp_ttnew ba_agenew ba_bnnew sco_na2 ba_ntr2 cf_govcnew sc_gongo2 ba_gvofnew
```

Source	SS	df	MS		
Model	320093.337	8	40011.6672	Number of obs	= 493
Residual	7928141.43	484	16380.4575	F(8, 484)	= 2.44
				Prob > F	= 0.0135
Total	8248234.77	492	16764.7048	R-squared	= 0.0388
				Adj R-squared	= 0.0229
				Root MSE	= 127.99

fa_dintnew	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
fp_ttnew	.0227278	.0413403	0.55	0.583	-.0585008	.1039565
ba_agenew	-.6679832	.5864003	-1.14	0.255	-1.820188	.4842214
ba_bnnew	-.8254098	.7177637	-1.15	0.251	-2.235727	.5849079
sco_na2	43.8515	13.63853	3.22	0.001	17.05347	70.64953
ba_ntr2	2.240023	14.3293	0.16	0.876	-25.9153	30.39535
cf_govcnew	.2407648	.3281976	0.73	0.464	-.4041032	.8856328
sc_gongo2	15.86459	16.58355	0.96	0.339	-16.72006	48.44925
ba_gvofnew	-.6186635	1.712777	-0.36	0.718	-3.98406	2.746733
_cons	175.5781	25.70869	6.83	0.000	125.0637	226.0925

Results： model_3

```
. reg fa_dintnew  fp_ttnew ba_agenew ba_bnnew sco_na2 ba_ntr2 ba_evl1 ba_evl2 b
> a_evl3 ba_evl4 ba_nfenew
```

Source	SS	df	MS		
Model	512339.792	10	51233.9792	Number of obs	= 493
Residual	7735894.98	482	16049.5746	F(10, 482)	= 3.19
				Prob > F	= 0.0006
Total	8248234.77	492	16764.7048	R-squared	= 0.0621
				Adj R-squared	= 0.0427
				Root MSE	= 126.69

fa_dintnew	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
fp_ttnew	.0367807	.0405682	0.91	0.365	-.0429316	.1164931
ba_agenew	-.6454534	.5810331	-1.11	0.267	-1.787124	.4962173
ba_bnnew	-.6442554	.7161144	-0.90	0.369	-2.051347	.7628362
sco_na2	52.08241	13.91295	3.74	0.000	24.74489	79.41993
ba_ntr2	6.197488	12.04132	0.51	0.607	-17.46247	29.85744
ba_evl1	-59.04258	32.31476	-1.83	0.068	-122.5378	4.452622
ba_evl2	-79.56161	27.84635	-2.86	0.004	-134.2768	-24.84638
ba_evl3	-42.11987	15.88162	-2.65	0.008	-73.32564	-10.9141
ba_evl4	-16.74156	16.51294	-1.01	0.311	-49.18779	15.70468
ba_nfenew	-.0062689	.3643869	-0.02	0.986	-.722252	.7097141
_cons	205.9932	26.34588	7.82	0.000	154.2263	257.7602

Results： model 4

```
reg fa_dintnew  fp_ttnew ba_agenew ba_bnnew sco_na2 ba_ntr2 ba_evl1 ba_evl2 ba_evl3 ba_evl4 b
a_nfenew cf_govcnew sc_gongo2 ba_gvofnew
```

Source	SS	df	MS		
Model	533210	13	41016.1539	Number of obs	= 493
				F(13, 479)	= 2.55
Residual	7715024.77	479	16106.5235	Prob > F	= 0.0021
				R-squared	= 0.0646
				Adj R-squared	= 0.0393
Total	8248234.77	492	16764.7048	Root MSE	= 126.91

fa_dintnew	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
fp_ttnew	.0298523	.0411144	0.73	0.468	-.0509345	.1106391
ba_agenew	-.6147243	.5843584	-1.05	0.293	-1.762947	.5334984
ba_bnnew	-.5624478	.7260105	-0.77	0.439	-1.989007	.8641111
sco_na2	52.5563	13.94509	3.77	0.000	25.15519	79.95741
ba_ntr2	-.4562182	14.28767	-0.03	0.975	-28.53047	27.61803
ba_evl1	-58.95424	32.56419	-1.81	0.071	-122.9405	5.032073
ba_evl2	-80.61996	28.08506	-2.87	0.004	-135.8051	-25.43481
ba_evl3	-41.3966	16.00762	-2.59	0.010	-72.85043	-9.94277
ba_evl4	-16.34566	16.56915	-0.99	0.324	-48.90286	16.21155
ba_nfenew	-.024089	.3662733	-0.07	0.948	-.7437901	.695612
cf_govcnew	.0636054	.330167	0.19	0.847	-.5851492	.71236
sc_gongo2	17.39353	16.47342	1.06	0.292	-14.97557	49.76263
ba_gvofnew	-.7844194	1.707406	-0.46	0.646	-4.139351	2.570512
_cons	197.5274	28.57414	6.91	0.000	141.3812	253.6735

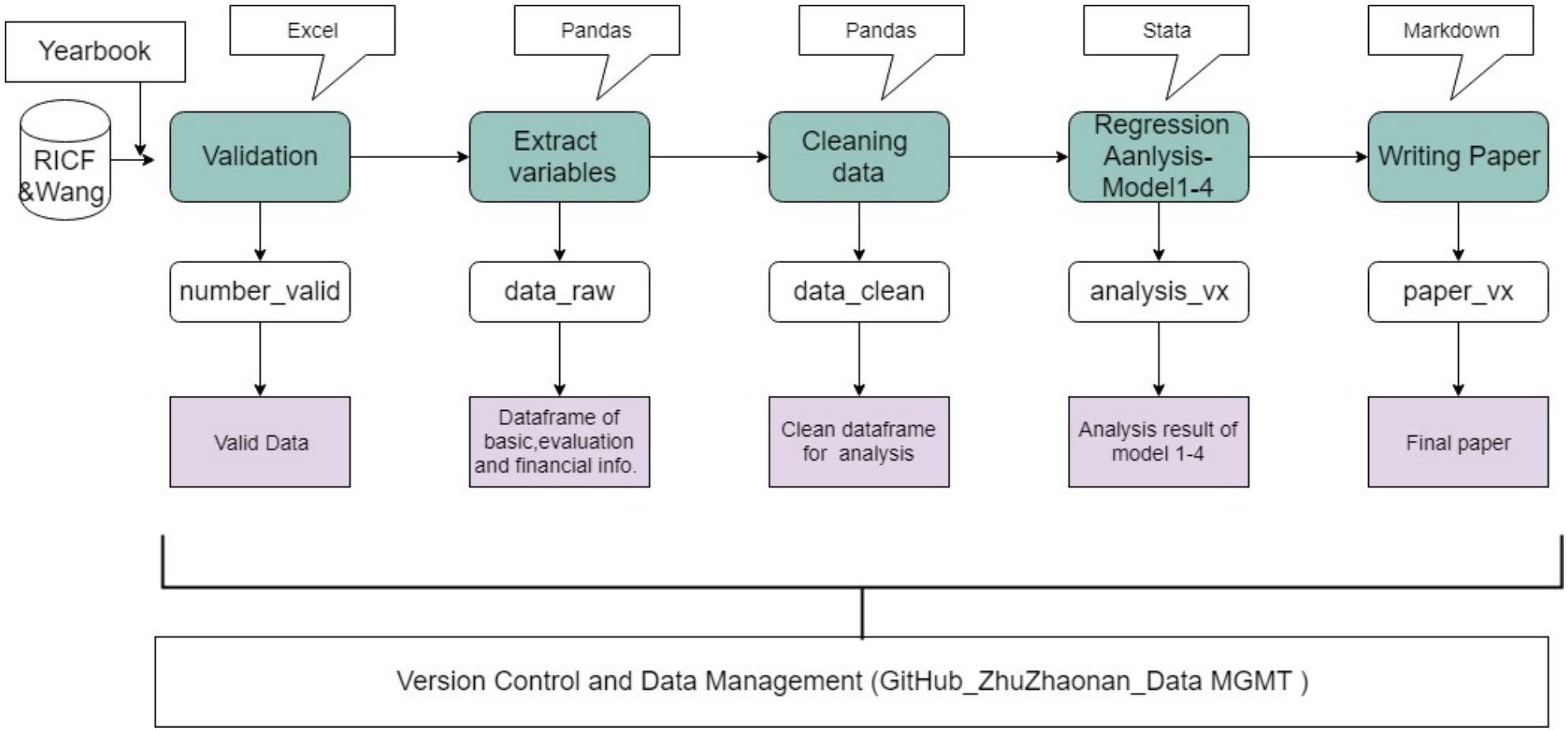
Conclusion and discussion

- The empirical analysis in this article investigates the impact of political power and professional power on private donations in Chinese foundations in 2015.
- Findings preliminarily indicate that, for foundations in China, political power and professional power both have statistically significant relationship with the amount of private donations an foundation receives.
- However, professional power, especially program performance has more impact on private donation than political power.

Limitation/ Next step

- Dataset: I only used RICF_2015, should add 2013-2016 data.
- Supplement evaluation result data
  - National level foundation's evaluation results: http://www.chinanpo.gov.cn/search/evaltindex.html
  - Bejing : http://mzj.beijing.gov.cn/news/root/tzgg/2018-03/126315.shtml
  - Other provinces: ???
- Missing data and approximation strategy (eg: donation income)
- Multicollinearity diagnostics
- Log (Many variables are highly skewed, should be log transformed,
  eg: government funding)
- Longitudinal study to examine the change of political powder and professional powder.
- Comparative study, eg: US-China.

Work Flow


Yearbook
RICF &Wang
Excel
Validation
number_valid
Valid Data
Pandas
Extract variables
data_raw
Dataframe of basic,evaluation and financial info.
Pandas
Cleaning data
data_clean
Clean dataframe for analysis
Stata
Regression Aanlysis-Model1-4
analysis_vx
Analysis result of model 1-4
Markdown
Writing Paper
paper_vx
Final paper
Version Control and Data Management (GitHub_ZhuZhaonan_Data MGMT)

Data Management Plan

- **Folder organization**
  - “Final”: final project and versions of all supporting files.
    - Data
      - Raw
      - Validation
      - Analysis
    - Process
      - Python_code
      - Stata_do
    - Output
    - Paper
- https://github.com/ZhuZhaonan/DATA-MGMT

Data Management Plan

- **File naming**
  - Final files be descriptively and concisely named.
  - Process files be named with the following convention: “YYYYMMDD_paper_vx.docx” (e.g. “20190301_paper_v2.docx”).
- **Version control**
  - I keep versions up to date between my storage and github.
- **Reference manager**
  - I use Zotero to organize my references and aid with citations.

Thanks!