Embedded Government Control and Nonprofit Revenue Growth

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Abstract

This research combines insights from resource dependence and institutional theories to examine the growth of Chinese nonprofit revenues. We propose the concept of "embedded government control" (EGC) to capture the complexity of the government-nonprofit relationship: government regulation of nonprofits' public fundraising qualification and the political embeddedness of nonprofits with the government. Using a dataset of 2,159 Chinese philanthropic foundations for the period of 2005-2012, we tested hypotheses about the implications of EGC for nonprofit revenues in China following two major external shocks, the Wenchuan earthquake in 2008 and the Guo Meimei scandal in 2011. Our empirical analysis shows that EGC can help philanthropic foundations to obtain more government subsidies, donations, and market revenue. However, external shocks may either strengthen or weaken the enabling role of EGC in helping foundations acquire relatively more donations.

In developed countries, supportive institutional factors such as social norms of voluntary philanthropic donations, together with friendly government policies in granting tax-exempt status, contracting out public services, and providing fiscal subsidies, are important conditions for the development and functioning of the charitable and nonprofit sectors (Lecy and Van Slyke, 2013, O'Connell, 2000). Nonprofits in these countries usually rely on a combination of revenues from government funding, private contributions, and commercial activities (Froelich, 1999, O'Connell, 2000). In non-Western and transitioning countries like China and Russia, however, such supporting conditions are often less developed or even non-existent (Heurlin, 2010, Kim and Kim, 2015, Ljubownikow and Crotty, 2014, Spires, 2011a). Indeed, while philanthropic and nonprofit organizations in these authoritarian countries may share a similar revenue structure to those of their Western counterparts, they have been growing in a more restrictive political environment with limited resource opportunities.

In recent years, a limited but growing literature has examined the development of the nonprofit sector in non-Western settings (Kim and Kim, 2015, Ljubownikow and Crotty, 2014, Salamon and Anheier, 1998, Zhan and Tang, 2016), yet the long-term impact of authoritarian government control on nonprofit sector growth continues to receive insufficient research attention. To prevent the rise of a confrontational civil society that may endanger political stability, authoritarian governments have a strong incentive to control nonprofits, especially those with foreign funding and donations (Ljubownikow and Crotty, 2014, Spires, 2011a). Maintaining such government control, however, may not be easy in countries with rapid transitions in social and economic parameters that may challenge the robustness of authoritarian

rule (Bellin, 2004). One notable example is the development of philanthropic and nonprofit organizations in authoritarian China, where the government has imposed various regulations and restrictions on nonprofits in seeking legal registration, obtaining tax-exempt status, and raising donations from the general public and overseas. That being said, along with the transition from a command to a market economy, the partial retreat of the authoritarian party-state has created opportunities for the emergence and growth of a vibrant civil society in China (Zhan and Tang, 2013).

In this study, we propose the concept of "embedded government control" (EGC) to capture the complexity of the government-nonprofit relationship in China. Borrowing insights from resource dependence and institutional theories, we study two questions: 1) what are the implications of EGC for nonprofit revenues in China; and 2) under what circumstances may this relationship be strengthened or weakened. Our research sample consists of a dataset of 2,159 Chinese foundations with 6,361 observations for the sample period 2005-2012. The sample period covers the years after the Chinese government implemented its revised regulation in 2004 to allow the development of private foundations. This period also witnessed two major exogenous shocks to the philanthropic sector in China, namely the Wenchuan earthquake in 2008 and the Guo Meimei scandal in 2011. As documented in previous studies, the Wenchuan earthquake in 2008 fundamentally changed the development of civil society in China by triggering historically unprecedented donations to earthquake victims from both individuals and corporations as a result of their enhanced philanthropic awareness and strengthened willingness to make donations (Shieh and Deng, 2011, Teets, 2009, Zhang, Rezaee, and Zhu, 2010). However, in 2011, the widespread Guo Meimei scandal, in which a young woman displayed her luxurious lifestyle online while claiming a business affiliation with the Red Cross Society of

China, triggered serious public doubt regarding possible corruption and misuse of donations within the Red Cross and other philanthropic foundations in China.

In this article, we first review the literature on the government-nonprofit relationship in China. We then propose our research hypotheses on how EGC is related to nonprofit revenues, and in what ways these relationships are moderated by the two exogenous shocks. After introducing the data and research methods, we present the empirical results. We then discuss the theoretical and empirical contributions of our research. The article concludes with the practical implications for nonprofit development and suggested directions for future research.

LITERATURE REVIEW

Along with economic reform, both the central and local governments in China have realized their limitations in controlling all of society. They have begun to withdraw from some public arenas and allow the growth of private organizations in both market and nonprofit sectors (Tang and Zhan, 2008, Xu, 2011). On the one hand, administrative reform within the Chinese government in the past two decades has isolated many service organizations from the party-state regime and transformed them into philanthropic and nonprofit organizations (Tang and Lo, 2009). On the other, while historically philanthropic foundations in China were established by the government in a top-down approach (Nie, Liu and Cheng, 2016), the government has moved towards a gradual deregulation of the foundation sector during the last two decades, allowing more and more philanthropic foundations to be established by private citizens and organizations as a response to the emerging private economy and the rising expectations of Chinese citizens with regard to public services.

In 2004, the State Council issued a revised regulation on philanthropic foundations by differentiating between two types of philanthropic foundations: public and private (Lai et al., 2015). The major difference is that private foundations cannot publicly solicit voluntary donations from individual donors, firms, or overseas sources (Ni et al., forthcoming). In this regard, philanthropic foundations with public fundraising qualifications are quite similar to public charities in the United States. However, the Chinese government has implemented stringent regulations on public fundraising qualifications, and for most private foundations it has been quite difficult, if not impossible, to qualify for the privilege of public fundraising. That being said, philanthropic donations from domestic and overseas sources to both public and private foundations have been increasing rapidly since 2004, particularly since the Wenchuan earthquake in 2008 (Lin et al., 2015, Teets, 2009, Wang and Qian, 2011). In addition, the Chinese government has begun to use public money to sponsor venture philanthropic programs that support citizen-initiated NPOs emerging from outside the party-state system (Jing and Gong, 2012). This *corporatist* approach is quite similar to what has been used by the state to nurture and manage private businesses in the process of market-oriented economic reform (Oi, 1992). Although there are still debates on the nature of civil society in China, there is at least a consensus that the nonprofit sector has become increasingly visible in China's public policy processes and social service delivery. Indeed, philanthropic and nonprofit organizations have been growing rapidly in this authoritarian country, despite the stringent control imposed by the government.

What is the role of government control in nonprofit growth in authoritarian China? Existing literature has characterized relationships between the authoritarian government and the nonprofit sector in China as complex and undergoing rapid transition (Johnson and Ni, 2015, Li,

Lo, and Tang, forthcoming, Spires, 2011b, Zhan and Tang, 2013). On the one hand, the Chinese government has used both "graduated control" (Kang and Han, 2008) and "embedded regulation" (Liu, 2011) strategies to manage the growth of different types of nonprofit organizations in China. In this way, the government aims to exert control over the resources and opportunities available to nonprofits via laws and regulations. On the other hand, the literature has also identified the political embeddedness of nonprofits in the party-state regime, a "symbiotic" relationship that may help nonprofits gain legitimacy, seek political protection and financial resources, and participate in policy formulation and service delivery through multiple types of embeddedness with the government (Ho, 2007, Michelson, 2007, Zhan and Tang, 2016).

Building on these studies, we propose the concept of embedded government control, which has two dimensions: stringent government regulation of nonprofits' public fundraising qualification and the political embeddedness of nonprofits within the party-state regime. The first dimension emphasizes government regulation of nonprofit fundraising. While nonprofit fundraising regulations exist in most countries, stringent political control of nonprofit fundraising is pervasive in most authoritarian countries. For example, in 2006 the Russian government implemented the Russian NGO Law to restrict foreign funding for Russian NGOs (Ljubownikow and Crotty, 2014). In this research, we use the term "public fundraising qualification" of philanthropic foundations to describe the entry barriers set by the Chinese government in the market of fundraising. The second dimension focuses on the important role of "embeddedness" (Granovetter, 1985) in government-nonprofit relationships, referring to the fact that a large number of philanthropic foundations in China are affiliated with the party-state or connected with the government. This is distinct from their counterparts in the United States, which are primarily established and operated by private individuals and wealthy families. Yet such

embeddedness may exist in other Western welfare countries (Rumbul, 2013). These government-connected nonprofits are better positioned in resource mobilization (Ho, 2007), which is reminiscent of the dominant role played by state-owned enterprises in China's economy before the launch of market-oriented economic reforms in the 1980s. Overall, while embedded government control can be witnessed in both Western and non-Western nations, its political and regulatory implications may vary across nations.

We argue that EGC has significant resource implications for nonprofits in China. While the dominant view in the literature is that such political control and embeddedness is a constraint for Chinese nonprofits, we posit that it can also create opportunities. For example, previous studies have found that one possible explanation for the limited financial resources in Chinese nonprofits is associated with the difficulty of getting legal registration and tax-exemption status due to stringent regulations (Hildebrandt, 2011, Tang and Zhan, 2008). In contrast, in recent years, several studies have examined the political and resource opportunities associated with government control in China's nonprofit sector (Ho, 2007, Michelson, 2007). Zhan and Tang (2013) find that this political setting has created opportunities for environmental NGOs with extensive connections with the party-state regime to play a more active role in policy advocacy. Indeed, some well-connected NGOs have taken these opportunities to seek resources from the party-state regime. In authoritarian countries, the notion that the institutional environment influences nonprofit development may not be new. For instance, the concept of embedded government control is now a central assumption of nonprofit studies in China, especially since Ho's work on "China's embedded activism" (2007). In this research, however, the major focus is not whether nonprofits in China are fundamentally embedded in or controlled by state institutions and lack autonomy, but what the effects of EGC are and how they may change in a

dynamic pattern. To address this major gap in the literature, we investigate the implications of EGC for nonprofit revenue growth in the context of exogenous shocks.

RESEARCH HYPOTHESES

Revenue Structure of Philanthropic Foundations in China

In this study, we focus on the revenues of philanthropic foundations in China. Following the literature on nonprofit revenue structure in the U.S. and other developed countries (Froelich, 1999), we group revenues into three major types: government subsidies, donations, and market revenues.

Government subsidies: Government funding is a major source of revenues for nonprofits in Western countries. In the United States, for example, an increasing reliance on government funding has been witnessed in the nonprofit sector (Lecy and Van Slyke, 2013, Salamon, 2003). In China, the government has experienced structural reform several times in recent decades, with the aim of downsizing the bureaucracy. As a result, many government agencies have set up government-organized NGOs (GO-NGOs) and philanthropic foundations to devolve certain government functions to the market (Tang and Lo, 2009, Zhan and Tang, 2013). In recent years, both central and local governments in China have begun to work with philanthropic foundations and nonprofit organizations to provide social services, and government funding has become an increasingly important source of nonprofit revenues.

Donations: As China becomes wealthier and its citizens are more conscious of making philanthropic contributions, nonprofits are able to increase their revenue through receiving donations. Corporate donations have become a very important source of nonprofit revenues in

China. Along with the increasing adoption of corporate social responsibility programs, corporations in China have become engaged in providing charitable donations to communities (Ni, Qian, and Crilly, 2014), and some private companies even use corporate philanthropy as an effective political strategy for seeking resources (Wang and Qian, 2011). Indeed, corporate donations constitute the major source of charitable giving in China. For example, Lin et al. (2015) report that in 2010 around two-thirds of the charitable giving in China was from corporations, while in the U.S. this proportion was around 5%. International funding has constituted another importance source of donations to Chinese nonprofits, along with their development (Spires, 2011b, Tang and Zhan, 2008). If the Chinese government cannot get direct funding from foreign sources, it will frequently form "NGOs" for this purpose. Thus, GO-NGOs typically come into existence for administrative reasons, to facilitate work with foreign donors. Some grass roots NGOs can also get funding from these sources.

Market revenues: This refers to market-based sources of revenue for philanthropic foundations.[1] For example, foundations may have income-generating activities such as sales of services/goods, or income from investment activities such as savings accounts, stock dividends, and rent from properties or the sale thereof. These types of revenues are categorized as market revenues.

Resource Dependence and Chinese Philanthropic Foundations

To understand the implications of EGC for Chinese philanthropic foundations, we apply resource dependence theory, which argues that "the ability to acquire and maintain resources" is the key to organizational development (Pfeffer and Salancik, 1978: 2). This theory has been used extensively to explain the growth of nonprofits in Western societies (Delfin and Tang, 2007,

Froelich, 1999, Guo and Acar, 2005, Heimovics, Herman, and Coughlin, 1993, Lecy and Van Slyke, 2013, Malatesta and Smith, 2014). A major finding is that acquiring adequate resources requires nonprofits to maintain interactions with organizations and individuals that control resources (Froelich, 1999, Verschuere and De Corte, 2014). Philanthropic foundations rely primarily on donations, and thus are more likely to face the problem of resource dependence (Carroll and Stater, 2009, Froelich, 1999). The existing literature has shown that foundations are actively involved with different types of political cooptation activities so that they can transform political resources into their stock of institutional resources (Oberman, 1993: 216). Apparently, there are advantages to establishing political ties in organizations because such a process can be perceived as a vital source of value creation (Oliver and Holzinger, 2008). Given the level of resource scarcity in China's nonprofit sector and the stringent government control, being a public foundation or embedded with the party-state regime may bring more resources to nonprofits when they are faced with external uncertainties. The literature on *guanxi* in China has examined the importance of building political embeddedness and using ties with the party-state to seek both political and economic resources (Haveman et al., forthcoming, Nee, 1992, Wang and Qian, 2011). For example, some foundations invite outside representatives with political power to sit on the board or to join the management team.

We argue that EGC could bring more revenues to Chinese philanthropic foundations. First, nonprofits with solid political connections are at an advantage when it comes to obtaining government subsidies. Government can exert considerable discretion over key decision making, such as access to, allocation of, and regulation of government-controlled resources (e.g., granting preferential access to certain information for nonprofits, government contracts and funding, tax deductions, legal protections, etc.). Thus, nonprofits that are more closely connected to

government typically have more information communication channels and networks with the government when seeking government-controlled resources.

Second, when acquiring donations, public fundraising qualification is a major advantage for public foundations. Foundations with a higher degree of EGC may enhance their legitimacy or reputation more easily (Baum and Oliver, 1991, Pfeffer and Salancik, 1978). These intangible benefits are affected by organizations' external linkages (Bazerman and Schoorman, 1983), so nonprofits can connect themselves to influential political actors and confirm "to the rest of the world the value and worth of the organization" (Pfeffer and Salancik, 1978:145). Further, through the value creation process related to political networking, managers can also leverage the human and social capital of these political activities to increase donation revenues. Additionally, the literature has widely discussed the fact that the Chinese government will frequently form "NGOs" if it cannot get direct funding from foreign sources (Zhan and Tang, 2013). Thus, politically connected foundations may come into existence for administrative reasons, to facilitate work with foreign donors. In contrast, the opportunities for grass roots foundations are limited.

Third, having public fundraising qualification and political embeddedness may help nonprofits to gain more market revenue. According to Froelich (1999), market revenues come from multiple types of commercial activities. In a heavily regulated nonprofit sector, government control may also impact a philanthropic foundation's access to service provision, investment opportunities, and other income-generating activities. Thus, public fundraising qualification and political embeddedness would help foundations to acquire government consciousness, earn trust

from the general public, and become more established in the network when they seek to acquire resources from the external environment. Therefore, we hypothesize that:

H1-a: There is a positive relationship between Chinese philanthropic foundations' embedded government control and the amount of government subsidy they receive;

H1-b: There is a positive relationship between Chinese philanthropic foundations' embedded government control and the total amount of donations they receive;

H1-c: There is a positive relationship between Chinese philanthropic foundations' embedded government control and the amount of market revenues they generate.

Exogenous Shocks and Donations to Philanthropic Foundations

Though most of the previous studies on government-nonprofit relationships in China have examined EGC or similar concepts in different ways, very few have examined the relationship between EGC and donations in a dynamic setting. Organizations are operating in a rapidly changing environment that experiences many sudden political, economic, social, and natural events (Chakrabarti, 2015). Unexceptionally, changes associated with these events usually cause various exogenous shocks to public sector organizations and their operations (Donahue and O'Leary, 2012), and nonprofits are no exception. For example, existing literature has identified that donors' willingness to give is conditional on contextual factors. Andorfer and Otte (2012) find that donors are more likely to give the highest level of contributions in two situations: 1) when there is a devastating disaster, such as the Southeast Asian tsunami in 2004 and the Haiti earthquake in 2010, and 2) when they perceive that charitable organizations can

effectively allocate their donations to these victims. Saxton, Neely, and Guo (2014) find that American donors' willingness to give is positively related to the organization's level of financial and performance disclosure. Indeed, as extensively documented in the literature, fraud and scandals may lead to a significant loss of financial revenues to nonprofits (Archambeault, Webber, and Greenlee, 2015, Greenlee et al., 2007).

Chinese donors' willingness to give to philanthropic foundations is also impacted by the occurrence of exogenous shocks. Following a similar logic, we use event history analysis to examine the impacts of exogenous shocks on donation revenues in foundations. While previous studies have focused on changes in macroeconomic conditions (e.g., Chakrabarti, 2015, Mackowiak, 2007), we argue that two recent exogenous shocks in China, namely the Wenchuan earthquake and the Guo Meimei scandal, can moderate the relationship between EGC and funding opportunities to foundations. Given that donations are the main revenue source for foundations and that this type of revenue is more likely to be affected by exogenous shocks, we focus solely on donations since, compared with other types of nonprofits, philanthropic foundations rely more on donations.

As mentioned earlier, the Wenchuan earthquake on May 12, 2008, which caused 69,227 deaths and left around 18 thousand people missing and 374 thousand injured (Zhang, Rezaee, and Zhu, 2010), radically changed Chinese civil society. Previously, the Chinese government had played a dominant role in terms of supervising and controlling the philanthropic sector. Both citizens and corporations had a low degree of philanthropic awareness and limited willingness to make regular donations. Further, public confidence in the nonprofit sector was generally low. In such situations, foundations with public fundraising qualifications and stronger political

connections have the advantage in establishing legitimacy and connections in order to obtain donations. However, after the exogenous shock of the Wenchuan earthquake, there was a dramatic increase in the enthusiasm of both individuals and institutions to make donations, leading to significant increases in funding opportunities for foundations (Luo, Zhang, and Marquis, forthcoming, Shieh and Deng, 2011, Zhang, Rezaee, and Zhu, 2010). Therefore, foundations are moving into a more benign environment with more philanthropic resources, irrespective of their public fundraising qualifications and connections to the government. In other words, when the donation tide is flowing in, the resource opportunities created by the Wenchuan earthquake have weakened the enabling role of EGC in helping foundations to acquire relatively more donations. Therefore, we hypothesize that:

H2-a: The external shock of the Wenchuan earthquake negatively moderates the relationship between embedded government control and donations received by Chinese foundations.

In contrast, the Guo Meimei scandal in 2011 had disastrous effects on the entire philanthropic sector in China. This scandal, together with a few other subsequent reports related to financial misconduct in other Chinese foundations, aroused the general public's suspicion with regard to the transparency and accountability of nonprofit organizations. Consequently, there was a steep decline in Chinese donors' willingness to give. The philanthropic sector has thus been undergoing a recession period with reduced donations. However, this scandal may not have affected all donors. One unique example is that of domestic corporate donors. One of the major motives behind corporate donations in China is to seek political capital (Wang and Qian, 2011). Businesses often make donations in a calculated and effective manner. For example, foundations

with political embeddedness are more likely to be recipients of domestic corporate donations because corporate philanthropy enables firms to build *guanxi* with government officials and ensure their survival and growth in China in the long run. In this case, the leveraging role of EGC has been amplified in the presence of an external shock that causes a falling tide of donations. Therefore, we propose the following general hypothesis:

H2-b: The external shock of the Guo Meimei scandal positively moderates the relationship between embedded government control and donations received by Chinese foundations.

DATA AND RESEARCH METHODS

Data

To test our hypotheses, we collected detailed information about foundations, including their revenues, organizational characteristics and contextual factors. Such information did not used to be publicly available, especially for private foundations, as they were not obliged to disclose it to the public. In recent years, however, Chinese nonprofits, including philanthropic foundations, have been required by the Chinese government to enhance their financial reporting practices in order to be better monitored by regulatory agencies as well as the general public. For example, *the Regulation of Accounting System in Civil Nonprofits* issued by China's Ministry of Finance in 2004 aims to improve the quality of financial reporting by nonprofits. In addition, Article 38 of *the Regulation of Philanthropic Foundations,* issued by the State Council in 2004, requires foundations to pass an annual assessment by government registration units and publish their reports in the specified media. Specifically, such mandatory annual reports are submitted by

the end of March each year and then published online. Following a standard format, these reports mainly disclose basic information regarding the foundation's organizational background, financial data, program details, and so on. The reports do not, however, follow international standards, such as the International Financial Reporting Standards (IFRS). Nevertheless, compared to surveys in which respondents self-report on their organizations, the information included in these annual reports is more reliable as they are usually audited by a third-party auditor (Chen et al., 2015). Thus, we constructed a sample of 2,159 Chinese foundations with 6,361 observations for the period 2005-2012. To maximize the number of observations, we also searched several internet sources, including the official websites of China's Ministry of Civil Affairs, major provincial civil affairs bureaus, individual foundations, and the China Foundation Center.

Dependent Variables

We created three dependent variables to test our hypotheses about the three types of revenues in a particular year (Froelich, 1999). The first dependent variable, *government subsidy,* was measured by calculating the total subsidy a foundation had received from the government. Second, *total donations* referred to the amount of donations received by a foundation from all sources. To get a nuanced understanding of the components of total donations, we also developed two related variables to capture donations from different sources: *total domestic donations* and *total overseas donations*. The third dependent variable was the *market revenues* of the foundation, constituting the total member fees, service income, total sales, total investment, and other income of a foundation, as reported in its annual report. All three variables were logged because of the skewness.[2]

Independent Variables

We adopted two independent variables to measure the level of EGC of each foundation: *public fundraising qualification* and *political embeddedness*. The *public fundraising qualification* variable indicates whether a foundation has been granted the right of public fundraising. It is a dummy variable that takes the value of "1" if it is a public foundation and "0" if it is private. The *political embeddedness* variable captures whether a foundation is created by or connected to government. A foundation has political embeddedness as long as it meets any of the following four criteria: (1) the founding institution is a government or quasi-government agency (such as the Political Consultative Conference, labor union, women's federation, federation of returned overseas Chinese, and so on, under the direct leadership of the Communist Party of China); (2) the initial endowment is provided by a government agency; (3) the administrative operation of the foundation is partially funded by the government; and (4) there are current or retired government employees or officials from other above-named agencies on the board of directors of the foundation. In China, it is easy to identify whether a philanthropic foundation is categorized as being affiliated with the party-state system because such information is usually disclosed in its annual report. If this information was not sufficient, the office address of the foundation was also checked: a foundation also has political embeddedness if it has the same office address as the sponsoring government and quasi-government agencies. It is a dummy variable that takes the value of "1" if the foundation has political embeddedness, and "0" otherwise.

We also used two dummy variables to measure external shocks. In particular, *shock 1* measured the period of the Wenchuan earthquake shock, identified as the years 2008 to 2010,

and *shock 2* measured the period of the Guo Meimei scandal shock, representing the time period of 2011 and 2012. The two variables were coded as "1" for foundations that experienced such a time period, and "0" otherwise.

Control Variables

We controlled factors that could systematically affect nonprofit financial revenues (Garrow, 2014, Posnett and Sandler, 1989, Suárez, 2011, Weisbrod and Dominguez, 1986). As several variables (such as public fundraising qualification, political embeddedness) in the model are time-invariant, we ran OLS regression with robust standard errors clustered by foundation.

Following the literature on nonprofit revenue (Ashley and Faulk, 2010, Carroll and Stater, 2009, Chikoto and Neely, 2014, Yan, Denison, and Butler, 2009), we also chose control variables based on the organizational and financial characteristics of foundations. We first controlled for the effect of organizational characteristics on the revenues of foundations by using the log values of *organizational age* (measured as the number of years since a foundation was established, as in Garrow, 2011, Suárez, 2011) and *organizational size* (measured as total assets at the end of the preceding fiscal year, as in Suárez, 2011).

We also logged another control variable, *board size*, which measured the number of directors serving on the board. Board size may affect the work efficiency of board directors (Jensen, 1993). Although foundations with more board directors have more difficulties in reaching consensus and tend to have higher management expenses, they may increase the revenues an organization receives as they provide more social and political connections (Provan, Beyer, and Kruytbosch, 1980, Stone, Hager, and Griffin, 2001). In addition, the degree of

professionalization may also have an impact on an organization's performance (Chittoor and Das, 2007). Thus, we controlled the variable *professionalization* by measuring the percentage of full-time personnel in a foundation (Suárez, 2011). In addition, the existing literature suggests that we needed to control for whether or not an NPO served citizens nationwide or the local community only (Suárez, 2011, Zhan and Tang, 2016). Accordingly, we used a dummy variable, *national,* with a value of "1" if a foundation served citizens nationwide, or "0" if local. In addition, to capture the diversity of service areas in which a foundation was engaged, the number of *operation areas* was also controlled.

We also controlled two financial characteristics. Specifically, *program efficiency* was measured by the log of program expenses, and *fundraising expenses* were measured by the total fundraising expenses in the current fiscal year (Fischer, Wilsker, and Young, 2011, Parsons, 2007). Social and economic environmental factors are also relevant in predicting the revenue growth of nonprofits. Therefore, we added two control variables to measure their impact. Specifically, we controlled for *density of foundations*, which was measured by counting the total number of philanthropic foundations in a given province (Lecy and Van Slyke, 2012). We also controlled for economic development level by including the value of *GDP per capita* across provinces.

Model Specification

We adopted the following model to test the effects of EGC on revenues in foundations, as proposed in the first set of hypotheses.

$$\text{Dep Var} = a_0 + a_1 * \text{EGC Vars} + a_2 * \text{Control Vars} + \varepsilon_1 \quad (1)$$

where dependent variables are the three types of financial revenues (government subsidy, total donations, and market revenues), and EGC variables include *public fundraising qualification* and *political embeddedness*. As discussed above, total donations include domestic and overseas donations. Therefore, in addition, we ran sub-samples of the two types of donations in order to get a more nuanced understanding of the determinants of donations to foundations.

To examine the impact of the Wenchuan earthquake shock after 2008, we ran the following models in two steps. First, we added the dummy variables of *shock 1* to model (1) by using the sub-sample of data from 2005 to 2010, which gave:

$$\text{Dep Var} = b_0 + b_1 * \text{EGC Vars} + b_2 * \text{shock 1} + b_3 * \text{Control Vars} + \varepsilon_2 \qquad (2)$$

Second, we created interactive variables between *shock 1* and the two EGC variables (*public fundraising qualification*shock 1* and *political embeddedness*shock 1*), and tested the following model:

$$\text{Dep Var} = c_0 + c_1 * \text{EGC Vars} + c_2 * \text{shock 1} + c_3 * (\text{EGC Vars} * \text{shock 1}) + c_4 * \text{Control Vars} + \varepsilon_3 \qquad (3)$$

Likewise, we ran similar models as in models (2) and (3) to test the impact of the Guo Meimei scandal shock after 2011 using the sub-sample of data from 2008 to 2012 by anchoring on the dummy variable of *shock 2*. For the two event studies of exogenous shocks, we used two filters for each foundation. First, they needed to be available both before and after the specified

sub-period. Second, there were at least two observations of the same foundation in each sub-period. If a foundation failed to meet either of the two criteria, it was dropped from the analysis.

RESULTS

Table 1 presents the descriptive statistics of major variables. Our sample consists of 6,361 observations from 2005 to 2012. On average, about 9.2% of total income was from government subsidies, 84.0% was donations, and 6.8% was market revenues in the time period from 2005-2012. 54.1% of the sample foundations were public ones and 74.2% had political embeddedness.[3] On average, the age of the sample foundations was 7.5 years and the total assets were RMB 28,440,313 Yuan. Regarding staff size, each foundation had on average 3.7 full-time staff and 13.4 directors on board. Also, 9.8% of the foundations observed were national foundations. On average, these foundations covered 1.5 areas of operation.

[Insert Table 1 about here]

In Table 2, we present the means, standard deviations, and correlations of major variables, including several variables with logged values. We did not find a serious problem of multicollinearity, given that the maximum mean variance inflation factor (VIF) was 1.76, substantially below the rule-of-thumb cutoff of 10 (Ryan, 1997).

[Insert Table 2 about here]

Table 3 presents the results of Hypothesis H1-a to H1-c for the time period from 2005 to 2012, which propose positive relationships between the EGC and foundation revenues. Models 1.1a to 1.1c include all the control variables. Models 1.2a to 1.2c add *public fundraising*

qualification and *political embeddedness* to test the relationships with government subsidy, total donations, and market revenues. To get a better understanding of the relationships between EGC and donations from different sources, Models 1.3a and 1.3b use domestic and overseas donations respectively as dependent variables.

[Insert Table 3 about here]

We first report the results for the control variables. In Models 1.1a to 1.1c, as expected (see Table 3), *board size* and *program efficiency* show significant and positive relationships with all three types of foundation revenues. Further, *professionalization* and *fundraising expenses* are positively related to *government subsidy* and *total donations*, whereas *organizational size* is positively associated with the amount of *total donations* and *market revenues*. Interestingly, while *organizational age* is positively related to *market revenues*, it shows a negative relationship with *total donations*.

Hypotheses 1-a to 1-c are supported in models 1.2a through 1.2c (Table 3). Specifically, the main effect of *public fundraising qualification* on *total donations* is positive ($p<0.05$), and the main effects of *political embeddedness* on *government subsidy* ($p<0.01$) and *market revenues* ($p<0.01$) are also positive. Overall, EGC would enable foundations to increase their revenues, yet *public fundraising qualification* and *political embeddedness* are playing different roles in enabling philanthropic foundations to obtain various types of revenues.

We further tested the relationships between *public fundraising qualification* and *political embeddedness* and two kinds of donations in the two models of 1.3a and 1.3b (Table 3). The results are mixed. Interestingly, *public fundraising qualification* has a positive relationship with

total domestic donations (in Model 1.3a, $p<0.05$), whereas *political embeddedness* is negatively related to *total overseas donations* (in Model 1.3b, $p<0.10$). One possible explanation is that EGC is interpreted by domestic and overseas donors in different ways: while public fundraising qualification may help a foundation to get relatively more donations from domestic sources as it enhances the foundation's legitimacy and reputation, overseas donors may have a low level of trust in or awareness of foundations that are authorized by the government to raise donations from the general public. In contrast, being politically connected with the government may not help a foundation to appear that trustworthy in the eyes of overseas donors.

Table 4 presents the results of two event studies for Hypotheses 2-a and 2-b, respectively. In particular, H2-a proposes that *shock 1*, the Wenchuan earthquake, negatively moderates the relationship between EGC and donations. In Model 2.1b, the interaction coefficient between *public fundraising qualification* and *shock 1* is negative and significant ($p<0.10$), providing support for Hypothesis 2-a. We further tested the models by using two types of donations as dependent variables. In particular, while the results do not show a significant, negative relationship for total domestic donations (in Models 2.2b), the coefficient of the interaction between *public fundraising qualification* and *shock 1* is negatively related to *total overseas donations* (Model 2.3b, $p<0.10$). Thus, Hypothesis 2-a is partially supported.

Models 2.4a to 2.6b in Table 4 also present the results of Hypothesis H2-b, which proposes that *shock 2*, the Guo Meimei scandal, positively moderates the relationship between EGC and donations. In Model 2.4b of Table 4, the coefficient of the interaction between *political embeddedness* and *shock 2* is positively related to total donations ($p<0.05$); however, the coefficient of the interaction between *public fundraising qualification* and *shock 2* is

insignificant. To further understand these results, we again separated donations into domestic and overseas donations. The coefficient of the interaction between *political embeddedness* and *shock 2* is positive on *domestic donations* (in Model 2.5b, $p<0.10$), confirming that the positive effect of EGC is amplified in *shock 2*. However, the models do not generate similar results in the model of overseas donations (Model 2.6b). Therefore, Hypothesis 2-b is partially supported.

[Insert Table 4 about here]

DISCUSSION

As extensively documented in the literature, nonprofits in China and other authoritarian countries face a more restrictive or even a prohibitive political environment. In recent years, although the Chinese government has gradually allowed the growth of nonprofit organizations in many fields, political interventions and regulatory controls continue to be imposed. By incorporating the two distinctive dimensions of public fundraising qualification and political embeddedness into the concept of embedded government control, we are able to capture the complexity of the government-nonprofit relationship in such an authoritarian country undergoing rapid social and economic transitions.

Our empirical analysis shows that EGC enables philanthropic foundations in China to acquire more resources. Foundations can get more government subsidy and market revenues through the dimension of political embeddedness. While public fundraising qualification is beneficial in enabling philanthropic foundations to solicit donations, its effect is more significant for foundations seeking domestic donations. Political embeddedness may even discourage

overseas donors. In addition, using the panel data, we also found that in the wake of huge shocks to the development of the nonprofit sector, the enabling effect of EGC on foundations' donation revenues can vary across different exogenous shock situations. The Wenchuan earthquake in 2008 (shock 1) significantly increased donors' willingness to give in general, creating an opportunity for foundations to obtain donations more easily. This in turn weakened the ability of EGC to enable foundations to obtain relatively more donations, especially those from overseas. Our results show that this pattern is more evident with the dimension of *public fundraising qualification*. In contrast, the Guo Meimei scandal (shock 2) decreased donors' trust in nonprofits in general; in this situation, foundations need to rely more on their political connections in order to attract donations. The findings show that the Guo Meimei scandal has strengthened the enabling role of *political embeddedness* in obtaining donations, especially domestic donations. In other words, when fewer donors are willing to give, political connections with the government matter in obtaining relatively more donations from domestic donors.

This research makes two new contributions. First, it has expanded the validity of Western models in a different institutional context characterized by an authoritarian regime and a weak tradition of civic society. Given that most existing models of nonprofit sector growth are based on Western experiences, our research contributes to theoretical developments in the literature on the government-nonprofit relationship. Second, few of the previous studies on government-nonprofit relationships have empirically examined the relationships in a dynamic pattern, especially in the context of external shocks. The lack of longitudinal studies has also limited the generalizability of their findings. Our findings are based on a dataset with a relatively longer time frame and two major shocks, which helps to reveal more systematic patterns of government-nonprofit relations. Our research findings also echo the literature on the contingent

role of *guanxi* in China, in both businesses and nonprofits. For example, government connections may be less relevant for companies in the contingency of free markets (Nee and Opper, 2010, Zheng, Singh, and Mitchell, 2015). Following a similar logic, the lasting effects of EGC in China's nonprofit sector will be conditioned by two possible paths of civil society development. In one scenario, as Chinese citizens become wealthier and more willing to donate and volunteer, private forces may play a more important role in the development of philanthropic and nonprofit organizations, forcing the government to remove the entry barriers to granting public fundraising qualifications. Following this path, the impact of EGC on nonprofit revenue growth will be weakened, and the government-nonprofit relationship in China will become more *liberal*. In another scenario, if nonprofit organizations in China continue to suffer from poor governance and a bad reputation in the eyes of the general public, they may have to rely heavily on government funding and support. In this way, the resourceful and authoritarian government may eventually move the government-nonprofit relationship in China towards a *corporatist* regime in controlling the nonprofit sector by using more sophisticated tools in resource allocation and political control. This means that EGC may eventually prevent the development of China's nonprofit sector towards a more independent status that is beyond the control of the authoritarian government.

CONCLUSION

Embedded government control can be witnessed in the relationships between governments and nonprofits in both Western and non-Western nations, yet its political and regulatory implications may vary across nations. In particular, the role played by entry barriers

and political connections in philanthropic foundations in China is subject to situational factors in the long run.

The research has important practical implications. To policy makers and nonprofit organization leaders aiming to improve nonprofit sector governance in China, embedded government control may help nonprofits to maintain a relatively good position in generating revenues. However, in the long run, nonprofits still need to enhance their governance quality and transparency so that they can gain public trust and respect. Indeed, the Chinese government has implemented several measures to prevent corruption in the nonprofit sector by prohibiting current or retired government officials from assuming leadership positions in nonprofit organizations. In 2016, the National People's Congress passed the Charity Law of China, introducing many accounting measures and requirements for financial disclosure in order to promote a more transparent philanthropic sector. Also, under the Charity Law, private philanthropic foundations can apply for public fundraising qualification after two years in operation. In addition, in recent years, philanthropic and nonprofit organizations have come under pressure to strengthen the establishment of Communist Party branches within their organizations. Taken together, all indications are that embedded government control will continue to play a significant role in China's government-nonprofit relationship: while the Chinese government is moving towards a less stringent style of fundraising regulation, new measures of political control will be developed to ensure that the authoritarian regime will continue to dominate this aspect of civil society.

This research has several limitations. First, while we develop the novel concept of embedded government control, the related two dimensions examined in this study may not be

sufficient to capture the complicated and evolving nature of the government-nonprofit relationship in authoritarian China. Future studies may go beyond these two dimensions and develop more nuanced measures in order to provide an even broader picture of EGC. Second, our empirical analysis is still constrained by the inherent limitations of our imbalanced dataset and its representativeness. Although foundation data in China has become increasingly available, more quality data is needed. Future studies should endeavor to build more comprehensive datasets of Chinese nonprofits. The third major limitation of this research relates to the generalizability of our research findings. Since we only focused on philanthropic foundations in China, the enabling role of EGC may vary across organizational types and national settings. Future studies may explore the growth of nonprofit organizations in a specific policy/service area, such as health service, social welfare, environmental protection, and so on. It would also be meaningful to conduct cross-country studies of nonprofit organizations to gain a better understanding of nonprofit growth in both authoritarian and Western countries. Lastly, future research may also employ both qualitative and quantitative methods in studying the relationship between the government and the nonprofit sector in authoritarian countries.

Notes:

1. According to China's nonprofit financial accounting standards, a philanthropic foundation may have seven types of revenue sources: donations, membership fees, service charges, sale of goods, government subsidies, investment income, and others.

2. Since these DVs may take on zero values for some observations, we add a fixed amount (1 RMB Yuan) to all the observations of such a variable in these cases before logging these variables.

3. This result should be interpreted with caution because the annual reports of public foundations and politically connected foundations are more likely to be available.

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Table 1. Descriptive Statistics of Major Variables

	N	Mean	Median	10th percentile	25th percentile	75th percentile	90th percentile
Government subsidy	6,360	1,323,908.60	0	0	0	0	350,000
Total donations	6,360	12,090,033	1,174,065	0	59,615	6,234,060.80	23,890,861
Market revenues	6,361	978,291.99	86,546.22	0	8,169.67	456,450.53	1,728,190.10
Public fundraising qualification	6,361	0.54079547	1	0	0	1	1
Political embeddedness	6,361	0.74155007	1	0	0	1	1
Organizational age	6,361	7.4783839	4	0	2	14	19
Organizational size	6,361	28,440,313	7,136,313.60	2,007,671.50	3,458,286.90	19,206,126	54,570,272
Board size	6,361	13.431693	11	5	7	19	24
Professionalization	6,361	3.6769376	2	0	0	5	8
National (national foundation=1)	6,361	0.097783367	0	0	0	0	0
Operation areas	6,361	1.4741393	1	1	1	2	3
Program efficiency	6,361	9,350,208.50	905,000	0	198,271.20	4,267,240	17,362,967
Fundraising expenses	6,361	56,280.47	0	0	0	0	39,675.16
GDP per capita	6,361	4.553431	4.4069591	2.2128075	3.2193236	5.9159528	6.8255328
Density of foundations	6,361	0.025636284	0.024248303	0.00552868	0.01006865	0.034596376	0.047474747

Note:
We calculated the financial values of these variables in RMB Chinese Yuan. The unit of GDP per capita is one hundred million RMB per 10 thousand people, which is 10,000 RMB/person

Table 2. Correlation Matrix and Summary Statistics

	Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	Government subsidy	2.22	5.02	1															
2.	Total donations	11.52	6.26	0.02	1														
3.	Market revenues	10.3	4.19	0.14	0.17	1													
4.	Public fundraising qualification	0.54	0.5	0.29	0.06	0.16	1												
5.	Political embeddedness	0.74	0.44	0.22	0.1	0.16	0.59	1											
6.	Organizational age	1.7	0.99	0.16	-0.01	0.32	0.4	0.27	1										
7.	Organizational size	15.74	2.44	0.09	0.26	0.42	0.14	0.13	0.24	1									
8.	Board size	2.52	0.54	0.2	0.13	0.17	0.32	0.34	0.22	0.13	1								
9.	Professionalization	1.12	0.88	0.15	0.2	0.2	0.22	0.09	0.22	0.21	0.22	1							
10.	National	0.1	0.3	0.02	0.17	0.19	0.09	0.07	0.16	0.23	0.15	0.37	1						
11.	Operation areas	1.47	0.96	-0.07	0.17	0.08	-0.15	-0.19	0.04	0.09	-0.04	0.18	0.27	1					
12.	Program efficiency	12.64	4.71	0.11	0.43	0.45	0.11	0.07	0.32	0.39	0.12	0.23	0.2	0.16	1				
13.	Fundraising expenses	2.32	4.29	0.13	0.24	0.15	0.14	0.1	0.13	0.2	0.16	0.32	0.2	0.14	0.23	1			
14.	GDP per capita	4.55	1.78	-0.03	0.09	0.15	-0.1	-0.06	0.08	0.14	0.03	0.03	0.33	0.09	0.17	0	1		
15.	Density of foundations	0.03	0.02	0	0.12	0.17	-0.06	-0.03	0.11	0.15	0.06	0.1	0.43	0.11	0.18	0.05	0.87	1	
16.	Shock 1	0.45	0.5	-0.01	-0.03	-0.07	0.02	0.01	-0.1	-0.06	-0.02	-0.03	-0.02	0	-0.08	-0.02	-0.22	-0.12	1
17.	Shock 2	0.45	0.5	0	0.05	0.05	-0.09	-0.06	0.02	0.03	-0.01	-0.05	-0.11	-0.06	0.12	-0.02	0.36	0.23	-0.81

Note:
In this table, we present the natural logarithm value of variables 1, 2, 3, 6, 7, 8, 9, 12, and 13. Correlations with an absolute value ≥ 0.3 are significant at the $p \leq 0.01$ level.
For event study 1, which covers the period 2005-2010, shock 1 = "0" if report year is from 2005 to 2007, and shock 1 = "1" if report year is from 2008 to 2010.
For event study 2, which covers the period 2008-2012, shock 2 = "0" if report year is from 2008 to 2010, and shock 2 = "1" if report year is from 2011 to 2012.

Table 3. Estimates from OLS Regression: Revenues Regressed against EGC

Dependent:	(1.1a) SUB	(1.1b) DON	(1.1c) MKT	(1.2a) SUB	(1.2b) DON	(1.2c) MKT	(1.3a) DON-DT	(1.3b) DON-OS
Public fundraising qualification				0.0810	0.984**	-0.291	0.971**	-0.0282
				(0.339)	(0.447)	(0.254)	(0.451)	(0.315)
Political embeddedness				0.934***	0.285	0.581***	0.465	-0.516*
				(0.291)	(0.371)	(0.223)	(0.387)	(0.271)
Organizational age	0.109	-1.268***	0.580***	0.0721	-1.324***	0.573***	-1.153***	0.143*
	(0.113)	(0.117)	(0.0723)	(0.115)	(0.119)	(0.0729)	(0.124)	(0.0841)
Organizational size	0.0344	0.219***	0.418***	0.0322	0.216***	0.417***	0.182***	0.103***
	(0.0313)	(0.0417)	(0.0323)	(0.0312)	(0.0415)	(0.0322)	(0.0462)	(0.0273)
Board size	0.791***	0.626***	0.365***	0.708***	0.563***	0.327***	0.671***	0.496***
	(0.193)	(0.196)	(0.118)	(0.193)	(0.199)	(0.119)	(0.206)	(0.143)
Professionalization	0.479***	0.544***	0.0872	0.501***	0.524***	0.110	0.580***	0.600***
	(0.124)	(0.127)	(0.0768)	(0.127)	(0.127)	(0.0777)	(0.131)	(0.119)
National	-0.815	0.341	0.388	-0.902	0.234	0.362	0.373	1.779***
	(0.552)	(0.466)	(0.294)	(0.556)	(0.476)	(0.289)	(0.503)	(0.572)
Operation areas	-0.155	0.707***	0.0440	-0.143	0.720***	0.0485	0.779***	0.554***
	(0.126)	(0.110)	(0.0660)	(0.126)	(0.110)	(0.0662)	(0.115)	(0.111)
Program efficiency	0.0526***	0.495***	0.244***	0.0544***	0.496***	0.246***	0.418***	0.0637***
	(0.0163)	(0.0230)	(0.0170)	(0.0163)	(0.0230)	(0.0169)	(0.0243)	(0.0121)
Fundraising expenses	0.0495**	0.149***	-0.00553	0.0493**	0.147***	-0.00487	0.143***	0.173***

	(0.0241)	(0.0199)	(0.0151)	(0.0241)	(0.0200)	(0.0151)	(0.0210)	(0.0238)
GDP per capita	-0.376	-0.217	0.474	-0.387	-0.220	0.467	-0.00842	0.00943
	(0.388)	(0.448)	(0.309)	(0.386)	(0.446)	(0.309)	(0.455)	(0.363)
Density of foundation	18.66	14.30	9.617	18.46	14.59	9.370	8.772	-3.005
	(15.22)	(15.77)	(9.511)	(15.21)	(15.67)	(9.483)	(16.31)	(15.31)
Intercept	-1.391	-0.778	-4.204**	-1.276	-0.640	-4.169**	-1.847	-4.101**
	(2.133)	(2.493)	(1.712)	(2.125)	(2.479)	(1.706)	(2.575)	(1.861)
Number of observations	6,360	6,360	6,361	6,360	6,360	6,361	6,316	6,316
R-square	0.152	0.297	0.328	0.155	0.298	0.330	0.264	0.227

*Indicates significance at the $p \leq 0.10$ (**$p \leq 0.05$; ***$p \leq 0.01$) level of confidence (two-tailed test); standard errors are in parentheses.

SUB: government subsidy; DON: total donations; MKT: market revenues; DON-DT: domestic total donations; DON-OS: overseas total donations.

Table 4. Donations Regressed against EGC (Event Studies 1 and 2)

	(2.1a)	(2.1b)	(2.2a)	(2.2b)	(2.3a)	(2.3b)	(2.4a)	(2.4b)	(2.5a)	(2.5b)	(2.6a)	(2.6b)
Dependent:	DON	DON	DON-DT	DON-DT	DON-OS	DON-OS	DON	DON	DON-DT	DON-DT	DON-OS	DON-OS
Public fundraising qualification	2.001*	2.906**	1.936*	2.465**	0.196	0.884	1.474**	1.587**	1.187*	1.214*	0.347	0.460
	(1.023)	(1.153)	(1.026)	(1.190)	(0.652)	(0.784)	(0.595)	(0.638)	(0.623)	(0.668)	(0.466)	(0.495)
Political embeddedness	-0.266	-0.535	0.203	-0.0317	-0.530	-0.718	0.0350	-0.479	0.264	-0.122	-0.729*	-0.964**
	(0.954)	(1.118)	(1.018)	(1.168)	(0.607)	(0.822)	(0.487)	(0.548)	(0.510)	(0.582)	(0.423)	(0.475)
Shock 1	-0.458	0.197	0.219	0.505	0.0298	0.550						
	(0.402)	(0.720)	(0.435)	(0.824)	(0.373)	(0.710)						
Public fundraising qualification * Shock 1		-1.387*		-0.810		-1.047*						
		(0.758)		(0.818)		(0.627)						
Political embeddedness * Shock 1		0.463		0.383		0.320						
		(0.880)		(0.957)		(0.771)						
Shock 2							-0.121	-0.821*	-0.0124	-0.604	0.349	0.104
							(0.317)	(0.461)	(0.328)	(0.480)	(0.212)	(0.274)
Public fundraising qualification * Shock 2								-0.251		-0.0686		-0.246
								(0.344)		(0.363)		(0.296)
Political embeddedness * Shock 2								1.120**		0.839*		0.509
								(0.459)		(0.480)		(0.320)
Organizational age	-1.701***	-1.729***	-1.205***	-1.220***	-0.0297	-0.0516	-1.355***	-1.343***	-1.261***	-1.249***	0.0988	0.101
	(0.304)	(0.306)	(0.320)	(0.323)	(0.202)	(0.201)	(0.212)	(0.212)	(0.217)	(0.218)	(0.137)	(0.137)
Organizational size	0.271**	0.275**	0.280**	0.282**	0.221**	0.223**	0.0915	0.0884	0.0648	0.0627	0.0971**	0.0962**
	(0.111)	(0.109)	(0.122)	(0.120)	(0.0942)	(0.0928)	(0.0648)	(0.0647)	(0.0715)	(0.0713)	(0.0472)	(0.0472)
Board size	0.186	0.189	0.166	0.169	1.036***	1.040***	0.760**	0.754**	0.965***	0.960***	0.314	0.312
	(0.368)	(0.367)	(0.390)	(0.390)	(0.291)	(0.290)	(0.313)	(0.313)	(0.323)	(0.322)	(0.206)	(0.206)
Professionalization	0.557*	0.557*	0.630**	0.630**	0.530**	0.531**	0.452**	0.453**	0.627***	0.629***	0.460**	0.459**
	(0.290)	(0.289)	(0.294)	(0.293)	(0.239)	(0.239)	(0.182)	(0.183)	(0.189)	(0.190)	(0.194)	(0.194)

National	0.594	0.549	0.885	0.856	1.149	1.113	0.663	0.678	0.838	0.849	1.825**	1.832**
	(0.834)	(0.837)	(0.932)	(0.933)	(0.837)	(0.837)	(0.734)	(0.733)	(0.738)	(0.737)	(0.887)	(0.887)
Operation areas	0.545**	0.538**	0.584***	0.579***	1.216***	1.211***	0.833***	0.836***	0.874***	0.876***	0.589***	0.590***
	(0.213)	(0.213)	(0.217)	(0.218)	(0.236)	(0.235)	(0.164)	(0.164)	(0.176)	(0.176)	(0.167)	(0.167)
Program efficiency	0.540***	0.538***	0.424***	0.423***	0.114***	0.113***	0.672***	0.671***	0.562***	0.561***	0.0895***	0.0892***
	(0.0490)	(0.0486)	(0.0535)	(0.0533)	(0.0333)	(0.0326)	(0.0420)	(0.0420)	(0.0455)	(0.0455)	(0.0202)	(0.0202)
Fundraising expenses	0.127***	0.129***	0.120***	0.122***	0.195***	0.196***	0.114***	0.114***	0.126***	0.127***	0.107***	0.107***
	(0.0431)	(0.0429)	(0.0462)	(0.0460)	(0.0454)	(0.0454)	(0.0301)	(0.0300)	(0.0308)	(0.0308)	(0.0355)	(0.0355)
GDP per capita	0.641*	0.636*	0.648	0.647	-0.159	-0.162	0.474	0.492	0.424	0.436	-0.337	-0.328
	(0.381)	(0.381)	(0.413)	(0.413)	(0.315)	(0.315)	(0.323)	(0.322)	(0.329)	(0.329)	(0.217)	(0.218)
Density of foundation	-4.458	-6.027	5.355	4.428	-2.815	-3.957	-17.46	-19.14	-10.86	-12.00	-9.579	-10.44
	(17.17)	(17.32)	(19.84)	(19.94)	(14.66)	(14.69)	(21.65)	(21.52)	(22.23)	(22.24)	(20.24)	(20.23)
Intercept	-3.123	-3.611	-3.812	-4.019	-7.848***	-8.228***	-5.636**	-5.352**	-4.233*	-3.995*	-1.267	-1.168
	(3.452)	(3.438)	(3.607)	(3.564)	(2.741)	(2.748)	(2.296)	(2.304)	(2.418)	(2.426)	(1.483)	(1.488)
Number of observations	1,552	1,552	1,531	1,531	1,531	1,531	3,053	3,053	3,036	3,036	3,036	3,036
R-square	0.384	0.386	0.343	0.344	0.336	0.338	0.327	0.329	0.298	0.299	0.207	0.207

*Indicates significance at the $p \leq 0.10$ (**$p \leq 0.05$; ***$p \leq 0.01$) level of confidence (two-tailed test); standard errors are in parentheses.
DON: total donations; DON-DT: domestic total donations; DON-OS: overseas total donations.
For event study 1, which covers the period 2005-2010, shock 1 = "1" if report year is from 2008 to 2010, and shock 1 = "0" if report year is from 2005 to 2007.
For event study 2, which covers the period 2008-2012, shock 2 = "1" if report year is from 2011 to 2012, and shock 2 = "0" if report year is from 2008 to 2010.