



# Study on the Influence Factors of Non-profit Organization's Information Disclosure Quality

Sun Yu and Li Shuang<sup>(✉)</sup>

School of Government, Beijing Normal University, Xijiekouwai Street, Beijing, China  
ada19971s@163.com

**Abstract.** Nonprofit organization's information disclosure quality is very important in modern society, especially in the context of public crises. It also an important indicator of the health of a country's philanthropy. By using the data of national foundations in 2019, we can empirically test the related internal and external factors that affect the information disclosure quality. Empirical results show that the organizational assets, the organizational age, and the donor dependency are the main factors that infect nonprofit organization's information disclosure quality, and they work differently in public-raising foundation and non-public raising foundations. The research proves that, in the context of the gradual progress of big data and information technology, improving the internal and external supervision system and guarantee system to help improve the long-term mechanism for the information disclosure quality is very important for enhancing public trust in the nonprofit organization and better playing its role in modernizing the country's governance system and capacity.

**Keywords:** Nonprofit Organization · Information disclosure quality · Influence Factors

## 1 Introduction

Philanthropy is an important part of the modernization of a country's governance system, and the disclosure quality of nonprofit organization is an important indicator of the development of a country's philanthropy, especially in the ear of big data and information technology, whither the public can find enough information with high quality influence their trust in the nonprofit organization. According to the China Foundation Transparency Index 2020, the average transparency of charitable organizations in China was only 51.34 points (out of 100 points) in 2019, indicating that there is still a lot of room for improvement in the quality of information disclosure of charitable organizations. In addition, in the early days of the outbreak of COVID-19 in 2020, the issue of information disclosure of nonprofit organizations, including charitable organizations, once again attracted public attention, which had a negative impact on the development of charitable organizations. Therefore, at present, how to improve nonprofit organization's information disclosure quality, and then improve the governance level and credibility of

nonprofit organizations is a realistic problem to be solved urgently, and also an important issue faced by the academic and practical circles [2].

For nonprofit organizations, in the context of the gradual progress of big data and information technology, high-quality of information disclosure can enable the public to better understand the organization, thus enhancing public trust in nonprofit organizations. Existing literatures mainly study the internal and external factors of the organization separately. Moreover, many empirical studies were conducted before “the charity Law of the People’s Republic of China” and its related supporting facilities were issued in 2016, which partially affected the applicability of relevant variables in the current era. Therefore, in order to improve the transparency of nonprofit organizations and explore the factors that affect nonprofit organization’s information disclosure quality, this paper intends to integrate relevant variables, explore the Foundation Transparency Index after the 2021 update of rules, scope, channels and indicators, and put forward relevant suggestions to improve the quality of nonprofit organization’s information disclosure quality, and help the organization to develop and better exert its function in the ear of big data.

## 2 Research Review

Through the collation and analysis of literature, it is found that the research on nonprofit organization’s information disclosure at home and abroad mainly focus on two aspects, namely, the path and mechanism of nonprofit organizations information disclosure, and influencing factors of nonprofit organizations information disclosure:

### 2.1 Research on the Path and Mechanism of Nonprofit Organization Information Disclosure

For example, Chai analysed the information disclosure mechanism of Charitable organizations in China from the perspective of incentive compatibility. He believed that information disclosure and the disclosure technology is the guarantee for charitable organizations to gain credibility and access to charitable resources. However, there are barriers to the flow of information in China’s public welfare and charity market. It is suggested that a free public welfare platform using the big data can be established to realize the release, acceptance and supervision of information [1]. Jin analysed the fiduciary responsibility management and accounting characteristics of nonprofit organizations based on the theory of government failure and contract failure, and constructed the principal-agent relationship chart, He analysed the objectives, principles, methods and contents of the accounting information disclosure of nonprofit organizations and put forward suggestions to improve the accounting information disclosure mechanism [5]. Qin analysed the current situation of the lack of the credibility of nonprofit organizations from the perspective of the credibility of nonprofit organizations, she believed that the construction of the transparency of nonprofit organizations is an important starting point for the reconstruction of the credibility of charity organizations, and proposed a multidimensional path to rebuild the credibility [11].

## 2.2 Research on the Influence Factors of Nonprofit Organization Information Disclosure

Yan and Li explored the relationship between political relevance and information transparency in nonprofit organizations by constructing multiple linear regression models. They concluded that the political relevance and we-media supervision are helpful to improve the information transparency, and we-media supervision can strengthen the promotion effect of political relevance on the information disclosure [14]. Liu et al. found that the disclosure quality of basic organizational information was the best, while the disclosure quality of financial information, project information and donation information was very poor, and it was found that organizational size, board size and other factors play a positive role in promoting the quality of online information of foundations [9]. Gordon et al. examined the measurable factors influencing external information disclosure with the help of annual reports of 100 American universities, it is found that organizational size, organizational attributes and government audit are significantly correlated with the degree of disclosure [3]. Li analysed the impact of Internet penetration rate on information disclosure of anti-epidemic materials, and found that the higher the Internet penetration rate in a region, the higher the quality of information disclosure of nonprofit organizations [8].

To sum up, although some scholars in China have paid attention to the field of information disclosure of nonprofit organizations, most researches on the empirical demonstration of factors influencing the quality of information disclosure are conducted from the perspective of internal organizational characteristics or external governance. Moreover, many studies were carried out before the charity Law of the People's Republic of China and its related supporting facilities were issued, which partially affected its applicability in the current era. Therefore, this article hopes to integrate internal and external variables in previous research, the data from 2019 (2021 edition) FTI data, explore the factors influencing the quality of information disclosure of nonprofit organizations, improve the quality of nonprofit organization information disclosure, better play to the nonprofit organization in the national management system and management ability of modern role of enlightenment.

## 3 Research Hypothesis and Model

### 3.1 Internal Elements of Nonprofit Organizations

#### 3.1.1 Organizational Assets

Organizational assets represent the resources an organization has to achieve its goals and missions. The more assets an organization has, the stronger the organization will be to a certain extent, and its social attention and popularity will be higher, resulting in more requirements on the quality of information disclosure. Related studies also verify that organizational assets have a positive effect on the quality of organizational information disclosure (Pridgen and Wan, 2007). Therefore, this study believes that the more assets an organization has, the more power and ability it will have to improve the quality of information disclosure, so as to further improve the social attention and credibility of the organization, which is conducive to the further development of the organization.

Hypothesis 1: The more assets an organization owns, the higher the quality of its information disclosure.

### 3.1.2 Organizational Age

At present, different scholars have gotten different results in the researches on organizational age and information disclosure. For example, in their research on American community foundations, Gregory D. et al. found that there was no significant relationship between the organizational age of foundations and information disclosure [4]. But Trabelsi et al. found that newly established organizations need to improve the quality of information disclosure to reduce information asymmetry, so as to help them further gain public recognition and trust, while organizations with a longer organizational age lack the motivation of information disclosure to stand firm [13]. In this paper, the author hold that the older the organization is, the more perfect the information disclosure system is, and the managers tend to improve the quality of information disclosure to further improve the influence of the organization.

Hypothesis 2: The older the organization, the higher the quality of information disclosure.

### 3.1.3 Council Size

Studies have shown that the organization's governance mechanism also affects the quality of information disclosure, the council as a nonprofit organization resources to raise as well as the decision-making body, the differences in scale will inevitably affect the nonprofit organization resources acquisition and management for the implementation of the supervision function, and its support groups for information disclosure of fiduciary duty and obligation [12]. Therefore, a larger council size often means more external contact and communication, which may prompt organizations to adopt more management strategies to improve the quality of information disclosure.

Hypothesis 3: The larger the council, the higher the quality of the organization's information disclosure.

### 3.1.4 Management Efficiency

The more efficient the management of nonprofit organizations including foundations is, the more the nonprofit organizations spend the funds raised by the organization on the project expenditures of the organization's goals, rather than on administrative costs and staff related expenses. Therefore, this study speculated that foundations with higher management efficiency would be more willing to disclose this information to the public to demonstrate their mission and ability to complete the task, thus further attracting donations and grants. When studying financial information, Petrovits et al. found that organizations with lower management efficiency tend to conceal their own financial information, resulting in lower quality of information disclosure [10]. Liu et al. used the ratio of administrative expenses to total expenses to measure organizational management efficiency and found that the higher the organizational efficiency, the higher the quality of financial information disclosure [7].

Hypothesis 4: Foundations with higher management efficiency have higher information disclosure quality and higher information disclosure quality.

## **3.2 External Elements of Nonprofit Organizations**

### **3.2.1 Degree of Political Relevance**

Different scholars have different views on the factors of political relevance. For example, according to Liu's research, foundations with higher political relevance degree are more likely to obtain government subsidies than those with lower political relevance degree, thus reducing the motivation of information disclosure for foundations with political ties [6]. On the other hand, Yan and Li believe that politically connected nonprofit organizations are more inclined to actively meet the requirements of government departments for disclosure by expanding information disclosure channels and meet the public's demand for the right to know about issues they care about [14]. This study agrees with the latter statement. Organizations with higher degree of political connection have more current or retired cadres in party and government organs and have stronger normality and responsibility. Therefore, they are more inclined to improve the quality of organizational information disclosure to expand the influence and credibility of their organizations.

Hypothesis 5: Foundations with higher political affiliation have higher information disclosure quality.

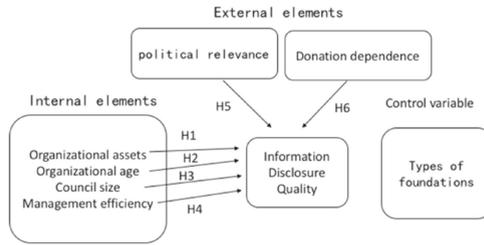
### **3.2.2 Donation Dependence**

The more dependent foundations are on external donations, they need to improve the quality of information disclosure in order to obtain needed resources and donations through information disclosure. At the same time, Liu believes that nonprofit organizations with higher levels of donations actually occupy more social attention and resources, so they have to shoulder more social fiduciary responsibilities. The foundations also hope to better relieve the fiduciary responsibilities by disclosing more information [6]. Liu et al. believe that the external environment of an organization will drive organizations to continuously carry out technological innovation to obtain competitive advantages in a competitive environment [9]. Therefore, in the field of nonprofit organizations, organizations with a high degree of dependence on donations tend to constantly make technological innovations, such as using new media and other channels to improve the quality of information disclosure, so as to achieve the purpose of obtaining resources and donations.

Hypothesis 6: Foundations with higher donation dependence have higher information disclosure quality.

## **3.3 Control Variable**

National foundations can be divided into public-raising foundation and non-public raising foundations. Existing studies have shown that this variable also has an impact on nonprofit organization's information disclosure quality to a certain extent. Therefore, this paper adds the type of national foundations into the model as a control variable, and the model is shown in Fig. 1.



**Fig. 1.** Research Model

## 4 Method

### 4.1 Research Samples and Data Collection

This paper chooses national foundations as research samples and collects relevant data of national public-raising foundation and national non-public raising foundations in 2019. The data are collected from China Foundation Centre (data collection deadline: May 31, 2021) and the annual work reports of each foundation disclosed in the National Civil Administration Information System. After screening some foundations with incomplete information disclosure and no assessment information, 85 public-raising foundations and 91 non-public raising foundations were selected. All data were collected manually.

### 4.2 Variable Selection and Quantification

The independent variables used in this paper are divided into internal factors and external factors of the organization. And all the variables and measurement methods are shown in Table 1.

**Table 1.** Quantization table of explained variables

Influence Factors	Variable name	Variable code	Variable measurement
Internal elements	Organizational assets	Totass	Log of total assets
	Organizational age	Year	The number of years the organization has been established
	Council size	Size	Number of council members
	Management efficiency	Admin	The ratio of administrative expenses to total expenses
External elements	Political relevance	Politi	Whether the members of the foundation council include current or retired cadres from the party and government organs
	Donation dependence	Concen	The ratio of donated income to total income
Control variable	Types of foundations	Type	public-raising foundation/non-public raising foundations

### 4.3 Experimental Model

In this paper, the logistic regression model is selected to analyse the data, and the regression model is shown in Eq. (1):

$$FTI = \beta_1 \text{Ln}(\text{Totass}) + \beta_2 \text{Year} + \beta_3 \text{Size} + \beta_4 \text{Admin} + \beta_5 \text{Politi} + \beta_6 \text{Concen} + \beta_7 \text{Type} + \varepsilon \quad (1)$$

## 5 Results

### 5.1 Descriptive Statistics

Table 2 is the descriptive statistics of relevant variables (the statistical results keep two decimal digits). As can be seen from Table 2, the mean of the dependent variable, the quality of information disclosure (FTI), has a high score of 77.5. Furthermore, the average of the quality of information disclosure of public-raising foundations is higher than that of non-public raising foundations, indicating that the quality of information disclosure of national public-raising foundations is generally higher than that of national non-public raising foundations. From the perspective of independent variables, in terms of organizational assets, the average of organizational assets of the full sample was 317 million yuan, the average organizational assets of national non-public raising foundations are higher than those of public-raising foundations. In terms of organizational age, the average age of the full sample was about 18 years, and the organizational age of national public-raising foundations was significantly higher than that of national non-public raising foundations. As for the council size, the average size of the full sample is about 16 people, and the size of national public-raising foundations is slightly larger than that of national non-public raising foundations. In terms of management efficiency, the average of full sample was 5.68%, and the management efficiency of national non-public raising foundations was slightly lower than that of national public-raising foundations. In terms of political relevance, the overall degree of political relevance is 50%, but national

**Table 2.** Descriptive statistics of variables

Variable	Full sample (N = 176)		public-raising foundations (N = 85)		non-public raising foundations. (N = 91)	
	Mean	SD	Mean	SD	Mean	SD
Totass	31700	94049.36	24511	32175.46	38414	126676.77
Year	17.90	9.05	23.97	8.39	12.23	5.10
Size	15.69	6.06	17.34	5.51	14.14	6.14
Admin	5.68%	14.78%	5.47%	3.20%	5.89%	20.32%
Politi	0.51	0.49	0.72	0.45	0.31	0.46
Concen	76.05%	30.57%	76.13%	31.42%	75.98%	29.75%
FTI	77.50	18.84	81.59	16.77	73.67	19.84

public-raising foundations are significantly higher than non-public raising foundations. As for the degree of donation dependence, the mean of the full sample was 76.05%, and the degree of donation dependence of national public-raising foundations was slightly higher than that of national non-public raising foundations.

## 5.2 Regression Analysis

In this study, regression analysis was performed on the full-sample, public-raising and non-public raising models. First, multicollinearity problem is considered. Variance inflation factor test shows that VIF values of variables in the three models are all less than 2.5, so there is no multicollinearity problem. The results of overall model fitting and standardized parameter estimation are shown in Table 3. For the hypothesis model proposed in this paper, the regression results show that the F tests of the three models are statistically significant, indicating that the linear regression relationship of the models is established. The goodness of fit of the non-public raising sample is higher than that of the full sample and the public-raising sample. The following is a discussion and analysis of each hypothesis.

Hypothesis 1 expected organizational assets are positively correlated with the information disclosure quality of national foundations. It can be seen from the model regression results that the three samples are significant at the 10% level, and the coefficients are positive. It indicates that organizational assets of national foundations (including both public-raising and non-public raising foundations) do have a significant positive effect on the quality of their information disclosure. Therefore, hypothesis 1 is supported.

Hypothesis 2 expected organizational age is positively correlated with the information disclosure quality of national foundations. As can be seen from Table 3, for the full sample, The statistical results of the age of national foundations are significant at the

**Table 3.** Model regression results

Variable	Full sample (N = 176)	public-raising foundations (N = 85)	non-public raising foundations. (N = 91)
Totass	4.9083***(.0000)	3.9715***(.0051)	5.6323***(.0003)
Year	0.2618*(.0827)	-0.0079(.9707)	0.1226(.7528)
Size	-0.0615(.8038)	-0.2107(.5381)	-0.0580(.8720)
Admin	-5.4302(.5462)	-52.1814(.3972)	-0.1310(.9896)
Politi	1.6631(.5170)	2.8429(.4810)	-3.8618(.3556)
Concen	15.3787***(.0004)	10.2449*(.0656)	20.2589***(.0026)
C	16.9531*(.0625)	42.0650***(.0066)	8.0282(.5700)
R2	.2386	.2064	.2752
F	8.8243***	3.3818***	5.3148***
VIF	<2	<2	<2

Note: \*\*\*, \*\* and \* respectively indicate that the data is significant at the level of 1%, 5% and 10%

1% level, indicating that the age of foundations has a slight positive effect on the quality of information disclosure of foundations. Hypothesis 2 is supported. However, in the discussion of sub-samples, organizational age has no significant effect on public-raising or non-public raising foundations.

Hypothesis 3, 4 and 5 believe that the council size, management efficiency and political relevance have a positive correlation with the quality of information disclosure of national foundations. However, it is found in Table 3 that the data results are not significant, so hypothesis 3, 4 and 5 are not valid. Among them, hypothesis 3 and hypothesis 4 are different from some of the previous scholars' whose results tended out to be positive correlation. The possible reasons are as follows. For hypothesis 3, the council size has no significant effect on the quality of information disclosure of foundations, which may be because with the development of society and the continuous progress of science and technology, the quality of information disclosure (represented by the China-Foundation Transparency Index FTI) increasingly emphasizes professional knowledge and perspective, while most of the council members of a foundation are managerial personnel, and they lack sufficient in-depth thinking and research on the relatively professional field of information disclosure quality. For hypothesis 4, the relationship between management efficiency and the quality of foundation information disclosure is not significant, in the author's opinion, the Regulations on Annual Expenditures and Administrative Expenses of Charitable Organizations for Charitable Activities issued by the ministry of civil affairs in 2016 stipulates the proportion of administrative expenses of national public-raising and non-public raising foundations in total expenditures.

As a result, the proportion of management expenses (that is, management efficiency) among foundations is not significantly different, so its impact on the quality of information disclosure is reduced to insignificant. For hypothesis 5, the relationship between political relevance and information disclosure quality is not significant, which may be because the current or retired cadres of party and government organs in most foundations are older. With the retirement of these cadres, their special political resources and social relations are facing the possibility of rapid aging, so their influence on the quality of information disclosure of foundations is not significant.

Hypothesis 6 holds that the degree of donation dependence of organizations is positively correlated with the quality of information disclosure of national foundations. As can be seen from Table 3, the Concern variable is statistically significant. It can be shown that the degree of donation dependence has an obvious positive correlation with the quality of information disclosure of national foundations, we obtained support for Hypothesis 6. Organizations with a greater degree of external donations tend to disclose information to enhance trust. In addition, the coefficient of variables is larger in the sample of non-public raising foundations, indicating that the positive impact of donation dependence on national non-public raising foundations is significantly higher than that of national public-raising foundations.

## 6 Discussion

Based on the data of national foundations in 2019, this paper investigates the relevant factors affecting the information disclosure quality of nonprofit organizations represented

by foundations. After descriptive statistics and regression analysis, the main empirical results found that Organizational assets, organizational age and organizational donation dependence are the main factors that affect nonprofit organization's information disclosure quality. Among them, organizational donation dependence degree has the greatest influence on the quality of information disclosure, followed by organizational assets and organizational age.

According to the research results, the following policy recommendations and prospects can be obtained:

First of all, promote the use of information technology and big data to improve nonprofit organization's information disclosure quality. With the rapid development of the Internet, the Internet has become an important channel for nonprofit organizations to disclose information, and the public is accustomed to learn about nonprofit organizations through their websites. If nonprofit organizations can make full use of the Internet to disclose information, it will greatly improve their credibility.

Secondly, small and medium-sized nonprofit organizations can be provided with institutional and financial support and guarantee. Funding can be carried out by selecting partners, determining key funding areas, and enable small and medium-sized nonprofit organizations to further improve the quality of information disclosure. In the process of obtaining the government's help and support and assisting the government to provide public services, the government should gradually improve its organizational ability and independence, strengthen the trust bond between the government and nonprofit organizations, so that they can play a greater role in public services, and gradually move towards the direction of synergistic cooperation with the government.

Last but not least, improve the external governance environment and institutional guarantee, strengthen the management and supervision of charitable organizations through institutional design, and promote the improvement of the whole process supervision system focusing on information disclosure. We should unswervingly implement the information disclosure and transparency system and give better play to the role of the charity supervision mechanism [15]. According to the research results, we can strengthen the supervision of nonprofit organizations with low donation dependence and organizations that have been established for a long time, because the public is more concerned about how the organization uses its own donations, and organizations also need to timely disclose information to meet the needs of the public, so as to further improve the organization's donation income, while organizations whose income is less dependent on donations lack the motivation to disclose information. In terms of organizational age, when choosing charitable organizations to donate, people will consider the overall governance of the organization. Organizations with a shorter organizational age need to attract more social resources through information disclosure.

## 7 Conclusion

In general, by improving the technology of non-profit organizations and providing institutional, financial and other aspects of support and security, through establishing and improving the collaborative supervision system of the government, society, and nonprofit organizations, we can step up the institutional supervision and guidance of these

organizations, clarify the responsibilities and obligations of all departments within non-profit organizations, and guarantee the quality of information disclosure of nonprofit organizations for a long time. This will increase public trust in nonprofit organizations including foundations and promote the sound development of the third sector of society and philanthropy.

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