

REGISTRATION LEVEL AND NONPROFIT FOUNDATION EFFICIENCY: THE MODERATING ROLE OF ORGANIZATIONAL INCOME*

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Abstract

Nonprofit foundations are becoming significant stakeholders in global governance and business operations. However, measuring their efficiency is a challenging task due to their mission-driven nature. This study aims to investigate the factors influencing the program efficiency of nonprofit foundations in China. A set of indicators are employed and tested using data from the Chinese Research Data Services (CNRDS) platform. The study employs multiple regression analysis to examine the influential factors identified in the dataset. The study's findings suggest a positive and significant correlation between registration level and nonprofit efficiency (program and administrative efficiency). Furthermore, organizational income appears to moderate the impact of registration level on both program and administrative efficiency. The results of the analysis provide valuable insights for nonprofit foundation operators, policymakers, and researchers in the field of the nonprofit sector (e.g., nonprofit foundations in China are encouraged to find an equilibrium between their organizational efficiency and their registration status). In terms of theoretical contributions, this study stands as one of the pioneering efforts in investigating the influence of registration levels and the moderating effect of organizational income on nonprofit foundations' efficiency. Finally, we have delineated its limitations and outlined avenues for future research.

Keywords: nonprofit foundation, registration level, program efficiency, administrative efficiency, moderating effect.

1. Introduction

Non-governmental organizations (NGOs) operate as nonprofit organizations, relying on donations and/or membership fees for funding. Nevertheless, they encounter growing competition for funding from diverse sources. As a result, there is a pressing need for these entities to enhance their accountability and performance assessment. At the program level, NGOs might utilize a variety of metrics to monitor and supervise local initiatives (Kaplan, 2001). To date, both authoritarian and democratic governments are engaging with their nonprofit sectors to improve public services (Salamon and Toepler, 2015). This change, especially in hybrid (e.g., Singapore) and authoritarian (e.g., China) regimes, signifies a shift in civil society's role. There's a growing trend of involving nonprofits in social service contracting in countries like China (Jing and Hu, 2017; Wang and Snape, 2018) and Russia (Skokova, Pape and Krasnopolskaya, 2018; Tarasenko, 2018), raising concerns about potential governmental co-optation.

The tightening of civic space in countries like China, Russia, and Egypt reflects a wider trend of how authoritarian regimes interact with and control civil society organizations within their borders (Heiss, 2019). Despite their repressive nature, authoritarian regimes like Russia and China are modernizing by partnering with civil society to improve social services and economic development (Aasland, Kropp and Meylakhs, 2020). In China, for instance, NGO – state relations show corporatist traits, with the party-state both limiting and allowing autonomy for different social actors (Unger and Chan, 2017). Despite fostering growth in the NGO sector, the party-state ensured it retained control.

In 2006, Russia started a 'Presidential grants' program and public consultation chambers. By 2010, they further included a new 'socially-oriented nonprofit organizations' category, more grant programs, and social contracting opportunities for these organizations (Benevolenski and Toepler, 2016). Likewise, China's local governments traditionally ignored but benefited from unregistered nonprofits. However, increased provincial support led to nationwide policy changes (Hu and Guo, 2016). These changes included easing the dual registration system for some organizations and implementing the 2016 Charity Law to address fundraising issues (Wang and Kang, 2018). In 2016, China's Finance and Civil Affairs Ministries allowed nonprofits to compete for government Purchase-of-Services (PoS) contracts (Wang and Snape, 2018). To our knowledge, while existing research explains how NGOs survive in authoritarian contexts like China, it does not fully account for their recent rapid growth. Most studies focus on local state — NGO interactions, overlooking the central government's active role in promoting NGOs.

Foundations are assuming a growing significance within China's social security system, encompassing domains like education, environmental preservation, elderly care, child welfare, poverty alleviation, disability support, and disaster relief. Over the past three decades, China has experienced rapid growth in the foundation sector (Huang *et al.*, 2014). However, this surge has led to increased competition among foundations in the fundraising market (Saxton, Neely and Guo, 2014). Simultaneously, the resource landscape for

nonprofits exhibit market characteristics, given their competition with various nonprofits for grants, donations, and volunteer contributions (Venkatraman and Ramanujam, 1986). Hence, they strive to enhance efficiency to boost competitiveness.

Donors and grantors often take personal experiences and alignment between a nonprofit's mission and their values into account when making donation choices, while resource providers and evaluators also advocate for more objective criteria to evaluate performance (Carman, 2008). In contrast, for-profit entities utilize a standard set of metrics that investors can employ to compare the efficiency of different firms, such as profitability rates or shareholder value (Venkatraman and Ramanujam, 1986). Therefore, defining efficiency in non-profit organizations (e.g., foundations) is challenging compared to for-profit entities, where metrics like net income and return rates measure competitive output market efficiency but are unsuitable for nonprofits (Nunamaker, 1985). Nonprofit organizations, with abstract mission-oriented goals, struggle with determining measurement criteria and methods for assessing mission achievement. Presently, the evaluation of nonprofit organizations' performance is a prominent issue, stemming from the complex nature of these entities and the constrained knowledge surrounding effective performance measurement methodologies (Thomson, 2010).

In the nonprofit sector, efficiency can be understood as achieving their mission with minimal costs. Yet, compared with for-profit organizations, assessing efficiency remains complex in the nonprofit sector due to its service-oriented nature (Grieco, Michelini and Iasevoli, 2015). This challenge is compounded by factors such as the non-commercial character of nonprofits' operations, ambiguous terminology, and suboptimal cost-benefit ratios. Nonetheless, the existing literature has explored different approaches to gauge nonprofit efficiency, encompassing metrics like the fundraising ratio, project ratio, allocative efficiency, and technical efficiency (Coupet and Berrett, 2019). However, there appears to be a gap in current research regarding the evaluation of nonprofit efficiency.

Moreover, Johnson (2015) studied how individual political connections affected the donation income of nonprofit organizations. Li, Lo and Tang (2017) explored the policy advocacy strategies of nonprofits, specifically focusing on whether they were government-organized. In Zhang's (2018) research on policy advocacy, government-organized nonprofits were treated similarly to nonprofits with managers who were former government officials. To our knowledge, the existing works discussed how political actors interact with nonprofits, while the discussion over the impacts of registration level are limited. In this study, 'registration' is defined as the official act of legally establishing a non-profit organization, granting it ongoing existence, property rights, contract-making abilities, and legal action authority. 'Registration level' refers to a nonprofit's registration with various government tiers — national ones with the Ministry of Civil Affairs, local ones with local departments, and cross-regional ones with the appropriate department, according to Hildebrandt (2011). Based on these concepts, we explore how the registration level within one specific subset of Chinese NGOs, namely foundations, influences their ability to secure private donations.

Once again, authoritarian regimes often force NGOs to align more with the state than society, bolstering state control. While this can limit NGOs, they can also challenge or even disrupt autocratic authority by advocating for rights and reforms (Heiss, 2019). Partnerships with NGOs add complexity to this dynamic, often leading to restrictive laws against NGOs. Similar to other contemporary authoritarian countries, the state's stance on the nonprofit sector (e.g., nonprofit foundations) in China is characterized by a dual attitude, oscillating between a desire for resources, competencies, and knowledge from NGOs, as indicated by Teets (2009), and a perception of NGOs as potential adversaries to the party-state, as emphasized by Gaudreau and Cao (2015). This ambivalence reflects a delicate balance between empowering and controlling the nonprofit sector within the state's framework. To the best of our knowledge, there is a paucity of studies that have offered insights into the assessment of NGO efficiency within the contemporary authoritarian context (e.g., China). To fill the gaps mentioned above, our study aims to address the following questions:

RQ 1: How does registration level influence nonprofit efficiency?

RQ 2: How does organizational income moderate the relationship between registration level and the efficiency of nonprofit foundations?

The subsequent sections of this article are organized as follows: Section 2 provides an overview of the relevant literature; Section 3 outlines the methodology employed in this study; Sections 4 and 5 showcase the empirical findings and the ensuing discussion; and Section 6 offers the conclusions drawn from this study's analysis.

2. Literature review

2.1. The nonprofit sector in the non-democratic context

The relationship between the state and NGOs in the non-democratic context (authoritarian and hybrid regimes) is complex, mutually constitutive, and dynamic. Russia and China are prominent examples of civil society crackdowns, but similar trends are seen in countries near Western Europe (such as Hungary and Turkey), throughout much of the Middle East, and across large areas of Africa, Asia, and Latin America (Toepler *et al.*, 2020). For instance, the 'foreign agent' law in Russia has greatly impacted foreign-funded NGOs in Russia, forcing them to choose between accepting foreign funding and being labeled as a 'foreign agent' or relying solely on domestic funds and presidential grants (Oleinikova, 2017). The 'foreign agents' law has made foreign funding a high-risk activity, potentially damaging the NGOs' reputation and inviting legal risks (Oleinikova, 2017). Likewise, since October 3, 2011, Belarus has imposed restrictions on NGOs, particularly those financed from abroad. The laws require mandatory state registration of foreign aid, criminalize violations of foreign aid rules, and tighten existing sanctions (Chulitskaya and Chavusau, 2013, p. 4). NGOs are also barred from holding accounts in foreign banks. All foreign funds must be government-approved, preventing direct transfers to Belarusian

NGO accounts (Pospieszna, 2014). The political climate has made it difficult for foreign organizations to track their funds, often necessitating transfers to private accounts or cash deliveries.

However, there is a growing understanding that the space for civil society (e.g., NGOs) may be evolving rather than merely shrinking (Alscher *et al.*, 2017; Anheier *et al.*, 2019). Rather than focusing on advocacy and participatory democratic-oriented NGOs, in non-democratic countries, attention is given to those NGOs primarily engaged in service provision and supportive of non-democratic governments. In particular, in an authoritarian context, NGOs' roles vary in relation to power structures, ranging from conflict to collaboration (Banks and Hulme, 2012). Despite their resilience, authoritarian states are fragmented, offering chances for NGOs to operate (Mertha, 2009). In environmental matters, for example, officials are recognizing environmental NGOs' potential; some bureaus even partner with them to monitor pollution. It can be seen that the contemporary authoritarian regimes are adapting their rule by selectively tolerating different civil society activities, suggesting a move towards semi-authoritarianism or liberalized autocracy (Cavatorta, 2012). Indeed, some authoritarian regimes, recognizing NGOs' potential in service delivery and conflict resolution, have started to embrace them (Teets, 2013). In China, two unique types of NGOs exist: civic NGOs, founded by private individuals, and government-organized NGOs (GONGOs), which are either derivatives of government-linked service bodies or directly established by government agencies (Tang and Lo, 2008). Meanwhile, the context for civil society in authoritarian Kazakhstan is changing, with an increased openness to their involvement as social partners (Knox and Sharipova, 2024).

In the context of a 'hybrid regime', Diamond (2002) characterized it as 'Elections without Democracy'. The relationship between the state and NGOs mirrors the dynamics observed in authoritarian regimes. As articulated in Kyianytsia (2024), Singapore sustains its political supremacy while allowing for a degree of restrained civic involvement. The hybrid features inherent in Singapore's administrative model are contrasted with similar frameworks in nations such as Malaysia, Turkey (Kyianytsia, 2024), and Kenya (Mati, 2020).

2.2. Nonprofit registration in China

According to Heiss (2019), NGOs in authoritarian regimes play three roles: they can act as substitutes for authoritarian power, as seen with international NGOs in Zambia; opponents to such power, like NGOs in Egypt; or collaborators and reinforcers of this power, as with NGOs in China and Russia. After 2011, the central government relaxed NGO registration rules and established grassroots NGO incubators, indicating its proactive role in expanding the NGO sector (Song, 2024). Increasingly, scholars, policymakers, and funders are concerned about the so-called 'closing space' for civil society worldwide (Carothers, 2016). Much of these restrictions involve cutting off foreign aid to these groups (deMattee, 2019; Dupuy and Prakash, 2020). Reasons for the restriction include rising nationalism and xenophobia, counterterrorism measures, and skepticism towards Western power (Carothers, 2015). While they may enforce stringent restrictions on the

evolution and activities of NGOs, this is partially motivated by their apprehension that uncontrolled civic NGOs could potentially act as conduits for contesting authoritarian governance (Heurlin, 2010; Spiers, 2011). Hence, in such a societal setting, NGOs must secure legal status, such as official registration, to execute their projects.

Similar to other authoritarian countries, nonprofit foundations in China need to pass a certain process, requiring approval from a government agency, registration with the Civil Affairs Ministry or its local equivalent, and for foundations, approval from the People's Bank (Silk, 1999). Supported by government agencies, a social organization can apply for legal registration. National ones register with the Ministry of Civil Affairs, local ones with local civil affairs departments, and cross-regional ones with the appropriate civil affairs department (Hildebrandt, 2011). In summary, 'registration' is defined as the official process that legally forms a nonprofit (e.g., foundation) as a separate entity, granting it ongoing existence, property ownership (including bank accounts), contract-making capabilities, and the authority to pursue legal actions.

2.3. Nonprofit efficiency

As far as we know, existing literature primarily discusses how social context can differ for nonprofit operations. The efficiency measurement model, however, is typically discussed in relation to distinct organizational settings, such as for-profit and nonprofit organizations. While certain for-profit performance metrics like net income and earnings per share are not applicable to nonprofits, two financial metrics — free cash flow and revenue growth — are highly relevant to the nonprofit sector (Epstein and McFarlan, 2011). Additionally, nonprofits have access to a crucial funding source unavailable to for-profits: philanthropy, which can take the form of annual giving, capital campaigns, and planned giving (Epstein and McFarlan, 2011).

Efficiency measurement is a pivotal aspect of organizational management as it gauges an organization's ability to transform inputs into outputs. In the realm of nonprofits, Polonsky and Grau (2008) classified approaches of efficiency measurement into four categories: operating efficiency, achievement of organizational objectives, return on investment, and social outcomes. Efficiency evaluation within the nonprofit sector can encompass operating efficiency, involving the allocation of organizational funds, which includes the proportion directed toward social objectives (Polonsky, Landreth Grau and McDonald, 2016). Certain countries impose performance standards on nonprofits, often limiting the percentage allocated to fundraising. Objective-driven assessments center on whether nonprofits are attaining their social objectives. Nonprofits can also employ tools like return on investment (Arvidson and Lyon, 2014) and social accounting (Richmond, Mook and Jack, 2003) to quantify the monetary value of their social endeavors. Moreover, social outcomes constitute a significant facet of NGOs, concentrating on the enhancement of social activities.

In the study by Callen, Klein and Tinkelman (2003), efficiency was represented by administrative efficiency (the ratio of administrative expenses to total expenses), fundraising

efficiency (the ratio of fundraising expenses to total expenses), and program efficiency (the ratio of program expenses to total expenses). Kim and Lee (2018) suggested that program efficiency was assessed to determine how effectively the inputs (e.g., financial resources) were converted into intended outputs in the service programs (e.g., purposed program expenditure). It quantifies the proportion of resources dedicated to projects that align with the NGOs' missions within a specific timeframe (Ecer, Magro and Sarpça, 2017). The program — spending ratio (program efficiency), as per Trussel (2003), signifies the proportion of total expenses that an organization dedicates to activities promoting its objectives. This ratio is commonly suggested by nonprofit monitoring groups like the Better Business Bureau as a gauge of organizational efficiency. Furthermore, this ratio is taken into account by the United Way when deciding on allocation to its member agencies, as per Stout (1997).

Yet, given the diverse spectrum of subjective measurements linked to NGOs' various social goals, comparing outcomes across different issues presents a challenge (Polonsky and Grau, 2008). In essence, nonprofit efficiency extends beyond mere cost reduction; it revolves around accomplishing the organization's mission using the available resources. This underscores the necessity for nonprofits to ensure resource utilization that aligns with their objectives, prioritizing goal achievement over mere cost-cutting.

3. Hypothesis development

3.1. Registration level and program efficiency

Previous research has explored the correlation between the registration level of nonprofits and the program efficiency. In general terms, official registration can aid foundations in reducing their expenses on matters that are not directly related to the implementation of their projects. It offers social organizations (e.g., nonprofit foundations) more independence by enabling them to open bank accounts, access diverse funding, and maintain transparency, which helps avoid government repression (Hildebrandt, 2011). It allows for greater public presence, attracting more participants and enhancing sustainability while reducing reliance on shifting government interests. Registered NGOs can also form formal ties with government institutions, unlike unregistered groups that depend on less reliable informal connections with individual officials (Hildebrandt, 2011). While registered groups have greater autonomy and fundraising opportunities but must meet strict criteria, unregistered groups, despite avoiding registration, face different informal restrictions due to their closer ties to the state (Hildebrandt, 2011). These advantages facilitate the ability of foundations to decrease their financial outlay on matters not directly pertinent to their project implementation, such as the difficulties in opening a bank account and maintaining inconsistent informal liaisons with government agencies.

The level-to-level management principle mandates that NGOs register and be managed at various levels based on their activity scope. Nationwide NGOs or those in multiple provinces are governed by the State Council's civil administration and central Party

organizations (Wang, 2001). Local NGOs register with, and are supervised by, their local government, while those crossing regions register with the next higher level of government (Wang, 2001). In this sense, registration at various levels of government agencies grants NGOs (including foundations) differing degrees of operational access. Registering as a nationwide NGO with national governmental agencies facilitates the execution of national projects, whereas local registration permits the implementation of specific regional initiatives (Yu, Wen and Sun, 2022). In comparison to local foundations, those registered as nationwide foundations with the state have the capacity to diminish their expenses when executing projects across various regions (i.e., they are not required to seek authorization to carry out activities outside their defined scope). In summary, the registration of nonprofits under different governmental agency levels can impact their resource access, including factors like operational reach and fundraising capacity. Put differently, nonprofits registered under higher-level governmental agencies might exhibit greater efficiency in project implementation. Based on the previous discussion, we formulate the following hypothesis.

H1: The program efficiency is positively associated with registration levels.

3.2. Registration level and administrative efficiency

According to Ecer, Magro and Sarpça (2017), the administrative expense ratio (administrative efficiency), which is the ratio of administrative costs to total expenses, indicates a nonprofit's management efficiency — the lower the ratio, the higher the efficiency. Prior studies have examined the relationship between the registration status of nonprofits and their internal administration. Dell *et al.* (2022) discovered that nonprofit organizations situated in regions characterized by high levels of social capital tend to benefit from enhanced community oversight and improved networking opportunities for community participants. Hildebrandt (2011) observed that while registered NGOs may have some benefits, such as enhanced visibility and legitimacy, they remain susceptible to government interference or repression, particularly if their activities conflict with government interests, especially at the local level. Registered NGOs in China are governed by their registration management unit as mandated by relevant laws, potentially resulting in excessive intervention in their internal affairs (Deng, 2010). Deng (2010) noted that registered Chinese NGOs tend to have lower levels of autonomy compared to their unregistered counterparts, which operate under a policy of 'no banning, no recognition, no intervention', thereby contributing to the relatively higher autonomy of foreign NGOs and domestic unregistered NGOs. To summarize, a higher registration level typically leads to increased intervention in the administration of nonprofit foundations, resulting in reduced administrative efficiency. Based on the preceding discussion, we establish the following hypothesis.

H2: Administrative efficiency is negatively associated with registration levels.

3.3. The moderating role of income

Within the context of the nonprofit sector, donations play a crucial role in influencing the operations of organizations. According to Yan and Sloan (2016), maintaining financial

performance is crucial for an organization’s sustained operation, its capacity to fulfil its mission, and its long-term stability. In contrast to funding from governmental agencies, organizations heavily dependent on private funding experience more flexibility and fewer limitations on their actions and decisions (Gronbjerg, 1991).

The moderating role of financial resource availability has been extensively explored in the field of business studies. For instance, Adomako and Ahsan (2022) found that perceived financial resource availability enhances the relationship between CEOs’ entrepreneurial passion for corporate development and the firm’s performance. Likewise, Choi *et al.* (2021) found that political turnover negatively affects a firm’s level of strategic change, but this influence is alleviated by the presence of financial resources. In summary, these studies indicate that greater financial resources can amplify the positive effects on organizations and alleviate the negative impacts. In the context of our study, we propose that increased organizational income can strengthen the connection between registration level and efficiency. Based on the discussion above, the following hypotheses are developed.

H3: Organizational income positively moderates (enhances) the relationship between registration level and program efficiency.

H4: Organizational income positively moderates (enhances) the relationship between registration level and administrative efficiency.

3.4. Proposed conceptual framework

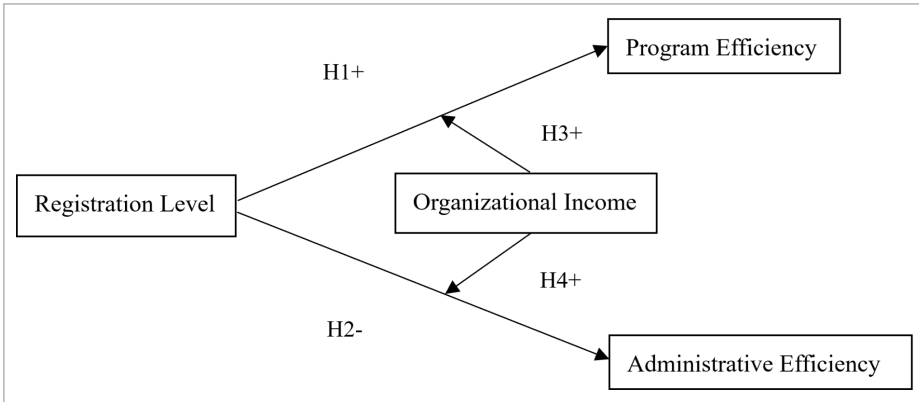


Figure 1: Proposed conceptual framework

Source: Authors’ work

Figure 1 depicts the presented conceptual framework, highlighting the proposed dependent variables (registration level) on the left-hand side, with the independent variable (program efficiency and administrative efficiency) illustrated. Furthermore, the moderating variable (organizational income) is also presented.

4. Methodology

This study sought to tackle the mentioned concern by utilizing datasets from a research database. The subsequent section presents the reasoning behind the chosen methodology.

4.1. Variables

Within this section, we elucidate the justification behind the variables chosen for our study. We employed a comprehensive set of 10 variables, which were organized into four distinct categories: (1) registration level, (2) control variables, (3) moderating variable, and (4) NGO efficiency. A detailed breakdown and categorization of these variables can be found in Table 1.

Table 1: Variables and definitions

Name	Variable	Attribute	Definition
Panel A: Registration Level			
Registration	Registration level	Categorical	The governmental agency level 1 (district level) to 4 (national level) where foundations are registered.
Panel B: Control Variables			
Age	No. of years since the organization was founded	Continuous	No. of years since the foundations' starting date
Area	The geographical scope for operation	Binary	The geographical scope for foundations to operate: 1 for nationwide operations, 0 otherwise.
Staff	No. of staff	Continuous	Total no. of full-time staff
Volunteer	No. of volunteers	Continuous	Total no. of volunteers
Panel C: Moderating Variable			
Income	Number of organizational income	Continuous	The amount of total income that the foundation received
Panel D: NGO Efficiency			
Pro_Efficiency	The % of funds consumed by projects	Continuous	The % of total expenses used to carry out foundations' mission-related projects (a high ratio means high program efficiency)
Admin_Efficiency	The ratio of administrative expenditures to total expenditures	Continuous	The proportion of administrative expenditures in relation to total expenditure (a low ratio means high administrative efficiency)

Note: All the variables were collected in 2021.

As presented in the four panels in Table 1, eight variables were used in this study. Overall, all of the variables were selected based on guidelines established in existing studies. For instance, based on Epstein and McFarlan (2011) and Saxton, Neely and Guo (2014), *Pro_Efficiency* in this context refers to program efficiency, denoting the proportion of

funds allocated by nonprofits for mission-related endeavors. This serves as an independent variable for gauging NGO program efficiency. Furthermore, in line with Ecer, Magro and Sarpça (2017), the administrative ratio (calculated as administrative expenditures divided by total expenditures) was utilized to gauge administrative efficiency.

Following the approach proposed by Ye and Gong (2021), we developed a four-level measurement to assess the registration level of the observations, ranging from 1 (district level) to 4 (national level). Consistent with Hajjat (2003), we opted for the annual income (*Income*) as the moderating variable in our study. Drawing from previous research (e.g., Cheng, 2019), we incorporated several organizational and contextual predictors as control variables. Organizational age (i.e., *Age*) and size (i.e., *Staff* and *Volunteer*), as commonly utilized predictors, were included.

4.2. Data collection and sampling

This study employed data sourced from the Chinese Research Data Services Platform (CNRDS), a renowned database for providing high-caliber quantitative data for research endeavors. However, given that the dataset is only accessible through certain Chinese institutions (<https://www.cnrds.com/Home/Login>), such as Renmin University of China, it may not be readily available to researchers outside of China. In addition, the study harnessed the Chinese NGO (CNGO) dataset, including 16 datasets with a diverse array of information pertinent to NGOs, encompassing financial records and data on stakeholders and donations. Following the exclusion of missing data, the analysis centered on panel data amassed from the year 2021 for subsequent examination.

The dataset used in the study comprises around 60 variables, including the number of donations (*Donrev*) and the position of the management board members in foundations (*Pos*). This dataset is unique in that it also includes variables such as the characteristics of foundations' stakeholders and long-term equity investments, which can offer new and valuable insights into the analysis. The preliminary dataset for this investigation, comprising 2,815 samples, was procured from the CNRDS and was subsequently subjected to further analysis.

4.3. Data analysis

4.3.1. Regression analysis

According to García-Sánchez (2010), efficiency was conceptualized as the rational use of resources to maximize benefits. Different from for-profit organizations, efficiency in the nonprofit sector is based on the improvement of social welfare (Epstein and McFarlan, 2011). In this regard, to measure program efficiency, the percentage of funds allocated by nonprofit organizations for mission-related activities was adopted. Furthermore, the administrative ratio, calculated as administrative expenditures divided by total expenditures, was used to assess administrative efficiency (*Admin_Efficiency*). In this sense, the dependent variable in the following regression models was the efficiency measured by the amount of funding used to carry out projects. In Models 1 and 3, the relationship between

program efficiency, administrative efficiency, and registration level is discussed, while Models 2 and 4 address the moderating effects. Models 1 to 4 are presented as follows.

Model 1: Regression of registration level on program efficiency

$$Pro_Efficiency = \alpha_1 + \beta_1 Registration + \delta_1 Income + \zeta_1 Age + \eta_1 Area + \theta_1 Staff + \iota_1 Volunteer + \varepsilon_1 \quad (1)$$

Model 2: Moderation of organizational income in the relationship between registration level and program efficiency

$$Pro_Efficiency = \alpha_2 + \beta_2 Registration \times \delta_2 Income + \zeta_2 Age + \eta_2 Area + \theta_2 Staff + \iota_2 Volunteer + \varepsilon_2 \quad (2)$$

Model 3: Regression of registration level on administrative efficiency

$$Admin_Efficiency = \alpha_3 + \beta_3 Registration + \delta_3 Income + \zeta_3 Age + \eta_3 Area + \theta_3 Staff + \iota_3 Volunteer + \varepsilon_3 \quad (3)$$

Model 4: Moderation of organizational income in the relationship between registration level and administrative efficiency

$$Admin_Efficiency = \alpha_4 + \beta_4 Registration \times \delta_4 Income + \zeta_4 Age + \eta_4 Area + \theta_4 Staff + \iota_4 Volunteer + \varepsilon_4 \quad (4)$$

From Models (1) to (4), α_i is the intercept, β_j is the slope, and $\varepsilon_k \sim (0, \sigma_k^2)$ is the residual term, where $i, j, k = 0, 1, 2, \dots, 8$.

4.3.2. Empirical results

As can be seen below, Table 2 presents the descriptive statistics and correlations of the variables used in the study before discussing the empirical results.

Table 2: Descriptive statistics and correlations

	Mean	S.D.	Pro_Efficiency	Admin_Efficiency	Registration	Volunteer	Staff	Income	Age	Area
Pro_Efficiency	0.89	0.21	1.00							
Admin_Efficiency	0.99	0.08	0.34**	1.00						
Registration	2.78	0.63	0.10**	-0.01	1.00					
Volunteer	1742.89	33388.35	0.02	0.01	0.00	1.00				
Staff	4.02	6.11	0.06*	0.05*	0.36**	0.01	1.00			
Income	6.07	1.22	0.34**	0.17**	0.24**	0.02	0.38**	1.00		
Age	9.08	7.82	0.06**	-0.03	0.42**	0.00	0.33**	0.28**	1.00	
Area	1.07	0.25	0.06**	0.03	0.52**	-0.01	0.43**	0.31**	0.30**	1.00

Note: **, and * denote significance at the 1% and 5% levels, respectively.

Source: Authors' work

A correlation analysis was performed to assess the connection between the dependent and independent variables, with the results presented in Table 2. Remarkably, registration level (*Registration*) and the number of full-time staff (*Staff*) for operations display statistically significant positive correlations with NGO program efficiency (*Pro_Efficiency*).

Table 3: Regression statistics

	Program Efficiency		Administrative Efficiency	
	Model 1	Model 2	Model 3	Model 4
Staff	-0.01* (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
Volunteer	0.01** (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
Age	-0.01** (0.01)	-0.01** (0.01)	-0.01* (0.01)	-0.01* (0.01)
Area	-0.07** (0.02)	-0.05* (0.03)	-0.01 (0.01)	0.01 (0.01)
Income	0.07** (0.01)	0.12** (0.03)	0.02** (0.01)	0.05** (0.01)
Registration	0.04** (0.01)	0.14* (0.06)	-0.01 (0.01)	0.06* (0.03)
Registration × Income		-0.02 (0.01)		-0.01** (0.01)
Adjusted R ²	0.18	0.18	0.06	0.07
P-value	0.01	0.01	0.01	0.01
N	1,540	1,539	1,540	1,539

Note: **, and * denote significance at the 1% and 5% levels, respectively.

Source: Authors' work

Table 3 provides the regression statistics for our study. The results indicate that the registration level is positively and significantly linked to program efficiency. Regarding the moderating effects, it's apparent that the influence of registration level on administrative efficiency can be moderated by income levels.

4.4. Robustness checks

In this section, we articulate the process of validating our model's robustness through rigorous testing. Following Demir *et al.* (2021), we included two more control variables (*Fund_Type*) in our analytical models.

As shown in Table 4, the models used in this study are robust. We also added a control variable, *Fund_Type*, to indicate whether nonprofit foundations are public or non-public fundraisers. The consistency of the independent and moderating variables affirms the robustness of our analytical models, thereby strengthening the validity of our findings.

Table 4: Robustness checks

	Program Efficiency		Administrative Efficiency	
	Model 1	Model 2	Model 3	Model 4
Staff	-0.01*	-0.01	-0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Age	-0.01*	-0.01*	0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Fund_Type	-0.01	-0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Area	-0.08**	-0.06*	-0.01	0.01
	(0.02)	(0.03)	(0.01)	(0.01)
Volunteer	0.01	0.01	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Income	0.07**	0.12**	0.02**	0.05**
	(0.01)	(0.03)	(0.01)	(0.01)
Registration	0.04**	0.14*	-0.01	0.06*
	(0.01)	(0.06)	(0.01)	(0.03)
Registration × Income		-0.02		-0.01*
		(0.01)		(0.01)
Adjusted R ²	0.18	0.18	0.07	0.07
P-value	0.01	0.01	0.01	0.01
N	1,539	1,538	1,540	1,538

Note: **, and * denote significance at the 1% and 5% levels, respectively.

Source: Authors' work

5. Discussions

5.1. Registration level and nonprofit foundation efficiency

Once again, the results indicate a significant positive correlation with program efficiency, while the effect on administrative efficiency is not significant. In extreme authoritarianism, regimes may aim to eliminate civil society by restricting opportunities for collective organization (Scott, 2015). However, as seen in China, many contemporary authoritarian regimes allow limited civil society development but strictly control it. NGOs in these settings must maneuver through a government-dominated environment to survive and expand (Zhan and Tang, 2016). Indeed, in authoritarian regimes, the long-term presence of humanitarian agencies is often seen as a challenge to the regime's legitimacy (Kahn and Cunningham, 2013). In such contexts, to maintain a good relationship with the government, these agencies may need to restrict their scope of work, like concentrating on health-care needs (del Valle and Healy, 2013).

In this sense, in a contemporary authoritarian state (e.g., China), for social organizations (e.g., foundations), registration paradoxically grants more independence. This allows them to open bank accounts, diversify funding sources, enhance transparency, and attract

more participants, thus bolstering sustainability and reducing dependence on government shifts (Xin and Yang, 2013), while unregistered groups rely on unreliable ties and informal state restrictions (Hildebrandt, 2011).

NGOs that support government agendas and align with state-led legitimacy narratives not only have preferential access to government funding (Fröhlich and Skokova, 2020), but they also have the opportunity to participate, to some extent, in policy decision-making. For instance, a study on Chinese foundations revealed that, in authoritarian regimes, while nonprofits often establish political ties through registration or appointing government officials as managers, these connections do not directly correlate with increased nonprofit revenues, although those with government ties might receive more funding (Wang, Zhan and Xu, 2024). Similarly, Turkish NGOs aligned with the government contribute to public consensus by participating in law drafting and policy-making (Doyle, 2016). Developing stronger connections with governmental agencies can provide foundations with certain benefits. In some cases, nonprofits use their political connections to increase the range of activities they might pursue beyond what current legal regulations allow (Hildebrandt, 2013; Hsu, 2011).

In the context of an authoritarian political state where resources and political opportunities are limited, Howell and Pringle (2019) argue that the legal framework becomes the dominant factor shaping the strategic direction of independent organizations. Xi Jinping's election as the Chinese Communist Party's General Secretary in 2012 led to a strategic shift in NGOs due to the welfarist incorporation strategy. This strategy aimed to integrate societal groups, address social issues, maintain stability, and strengthen party legitimacy while controlling dissent (Hui, 2022). The 2017 NGO Law, enacted in this context, limited foreign support for NGOs, forcing them to rely on domestic donations and Government's Purchase Public Service (GPPS). However, domestic donations fell short of previous foreign support, and strict regulations meant most NGOs did not benefit from Government's Purchase Public Service (GPPS) (Howell and Pringle, 2019; Holbig and Lang, 2021).

In our study's context, foundations with higher registration levels establish strong connections with senior governmental agencies and provide them with wider recognitions, enabling them to overcome obstacles during project implementation (e.g., reduce the difficulties of developing trust with local stakeholders), ultimately enhancing program efficiency. In recent years, stricter control over social organizations has not led to improved administrative efficiency.

5.2. The moderating effect of income

Regarding the moderating effects, it's apparent that the influence of registration level on administrative efficiency can be mitigated by organizational income. In particular, our findings indicate that the relationship between registration level and both types of efficiency may weaken as foundations generate higher income. This finding is supported by several works. For instance, profitability as a moderating variable was found to enhance the

relationship between corporate social responsibility and firm value, as well as strengthen the relationship between leverage and firm value (Irwansyah *et al.*, 2017). In summary, these investigations indicate that increased profits or income size tend to improve program efficiency within the for-profit sector. Nevertheless, within our specific context, larger income size concurrently leads to a reduction in program and administrative efficiency. This occurrence may be attributed to the significance of resources like financial capital, capable managers, and knowledge as critical inputs in the production process, value creation, and the pursuit of high efficiency, as emphasized by Penrose (1959). In business studies, financial capital is vital for long-term success and risk mitigation (Cooper, Gimeno-Gascon and Woo, 1994). Our findings show that financial resources in nonprofit foundations alleviated the negative impact of registration level on administrative efficiency. This moderation can be influenced by various factors, such as the lack of financial skills among managers in emerging economies like Pakistan and China (Klapper, Lusardi and van Oudheusden, 2015).

6. Conclusions

The primary objective of this study was to examine how the efficiency of nonprofits relates to their registration level, with a particular focus on the moderating influence of organizational income. The study's outcomes, in response to the first research question (i.e., how does registration level influence nonprofit efficiency?), indicate a positive and significant relationship between the registration level and efficiency (program and administrative efficiency). Moreover, in response to the second research question (i.e., how does organizational income moderate the relationship between registration level and the efficiency of nonprofit foundations?), it can be found that organizational income negatively moderates (weakens) the effect of the registration level on both program and administrative efficiency. In other words, the findings support Hypotheses 1, 3, and 4. This study has made several contributions. Firstly, despite obstacles, NGOs in authoritarian regimes aim to cooperate for shared goals (Ru and Ortolano, 2009). Western studies propose that cooperative networks aid nonprofit advocacy (LeRoux and Goerdel, 2009), yet it is unclear how much these collaborations assist NGOs in advocating under authoritarian rule. By answering this call, this study could be one of the pioneering efforts to explore the influence of registration levels on nonprofit foundations.

Secondly, in terms of practical and social contributions, this study has provided valuable insights for managers and policymakers in non-democratic countries (e.g., China) to develop tailored measures to enhance efficiency for foundations. Both authoritarian and democratic governments are seeking to build relationships with the more apolitical parts of their nonprofit sectors to enhance public social, health, and educational services (Salamon and Toepler, 2015). This dual government stance in hybrid and authoritarian regimes signifies a changing relationship between civil society and the nonprofit sector. The push to incorporate nonprofits into social service contracting is gaining momentum in countries like China (Jing and Hu, 2017; Wang and Snape, 2018; Zhao, Wu and Tao, 2016), and

Russia (Skokova, Pape and Krasnopolskaya, 2018; Tarasenko, 2018), raising significant concerns about governmental co-optation. In addition to China and Russia, despite their differences, Algeria, Mozambique, and Vietnam share similarities in their type and development of authoritarian rule (Wischermann *et al.*, 2018). They are all governed by post-socialist authoritarian regimes, where ruling parties with a history or ideology of socialism/communism have held power for many years. In the early to mid-1980s, these countries began partial economic liberalization, even as their political structures stayed authoritarian (Wischermann *et al.*, 2018). Therefore, due to the similar social context, these foundations may also be suitable candidates for implementing the NGO registration system.

These findings suggest a need for governments to create a new evaluation framework for foundations registration, considering their contributions to mission fulfillment and social development in various political contexts: service efficiency in authoritarian, democratic development in hybrid (e.g., Kazakhstan), and policy advocacy in democratic (e.g., Australia) systems. In particular, officials in transitional regimes need to recognize that a vibrant civil society (e.g., nonprofit foundations) can act as a bridge between the government and society, not a threat. Supporting more NGOs is a logical approach to improving governance in the face of changing social and political landscapes (Li, Lo and Tang, 2017).

Moreover, it is recommended that governmental agencies develop codes of conduct for improving financial management skills to enhance efficiency in local foundations. Additionally, nonprofit foundations are encouraged to develop their earning management systems, especially when they register at senior governmental agencies. These findings carry significant ramifications for the evolution of the non-governmental organization sector within China and have the potential to inform policy decision-making in diverse societal contexts. For example, our study offers insights for countries with similar social contexts, like Vietnam, and other countries in the Asia-Pacific region. The introduction of new laws and regulations for nonprofit organizations is also underway in China, Vietnam, and Thailand, and such efforts are under consideration in Taiwan, Singapore, and, since Suharto's resignation, Indonesia (Silk, 1999). Besides evaluating the registration system, they should also consider how registration at different levels of government agencies affects the operations of nonprofits. In addition to regions with comparable social contexts in the Asia Pacific (e.g., Vietnam), Middle Eastern countries (e.g., Iran) should also assess the impact of registration with various government agencies on the efficiency of nonprofit organizations. Also, this methodology might also furnish valuable perspectives for Western nations, particularly those with a post-communist history.

The present study is not without limitations. Firstly, this study focused solely on data from Chinese foundations, limiting the scope of insights applicable to other countries. It was illustrated that NGO's roles are diverse, often complementary, and adapt over time. It suggests that our understanding of NGOs may need to incorporate additional context-specific factors such as history, ethnicity, or popular discourse within individual regime contexts (Toepler *et al.*, 2020). Therefore, future research could broaden this perspective by examining foundations in different social contexts. For example, future studies could

explore how the level of registration impacts the efficiency of nonprofit organizations outside of China (e.g., in Russia and Western contexts). Similarly, given the complex roles that international NGOs (INGOs) play in authoritarian societies (Toepler *et al.*, 2020), future research could explore how their legal registration might impact their efficiency.

The second limitation is related to the classification of foundations. According to Xu (2013), Chinese foundations are further classified into public foundations and private foundations, with the former receiving donations from the general public and the latter obtaining funding from corporations or family wealth rather than public contributions. In this sense, this study failed to address the differences between these foundations. Therefore, studies in the future can address this issue by investigating the differences between different foundations (e.g., public and private foundations).

Finally, this study discussed how the incomes of foundations moderate the relationship between registration level and efficiency. A similar moderating effect can also be observed in the context of government funding. For example, the findings suggest that the relationship is more positive when performing arts nonprofits receive less government funding (Hung and Berrett, 2023). Indeed, while government funding plays a crucial role in supporting service provision by nonprofits, it also presents management challenges for these organizations. Yet, this study failed to address how government funding moderates the impacts of registration level on efficiency. Thus, studies in the future can investigate how different sorts of funding can moderate the influences of registration levels.

Statements and declarations

The authors declare the absence of any conflict of interest in this study.

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