



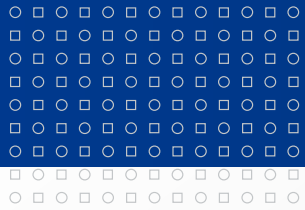
MASARYK UNIVERSITY

**Empirische Befunde
über Kommerzialisierung der NPOs
in der Slowakei, Tschechien und Österreich.**

Gabriela Vaceková



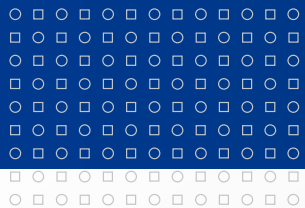
Halle, Germany, December 2014



Impulse for the research and motivations

- Funding sources of NPOs and their diversification
- Austro-Hungarian Empire (1867-1918)
 - charities and various voluntary associations and self-help groups or institutions providing social and health services for the poor
- Austria and Czechoslovakia and later on Czech Republic and Slovak Republic after they split in 1993
- Different political regimes have affected the nonprofit sector and its formation in these three countries, including funding system of NPOs





Primary research

- ❏ **Slovakia – 2009** - “Utilization of financial management in diversification of financial sources in NPOs”, Matej Bel University, B. Bystrica
- ❏ **Austria – 2010** - “Different sources of funding of non-profit organizations” conducted by the Kompetenzzentrum für NPOs und SE, Wirtschaftsuniversität Wien, Dr. Schober
- ❏ **Slovakia – 2012** - “Self-financing and the sustainability strategy of NPOs”, Matej Bel University, B. Bystrica
- ❏ **Czech Republic - 2013** - part of the findings of the Masaryk University project CZ.1.07/2.3.00/30.0009: “Employment of Newly Graduated Doctors of Science for Scientific Excellence”



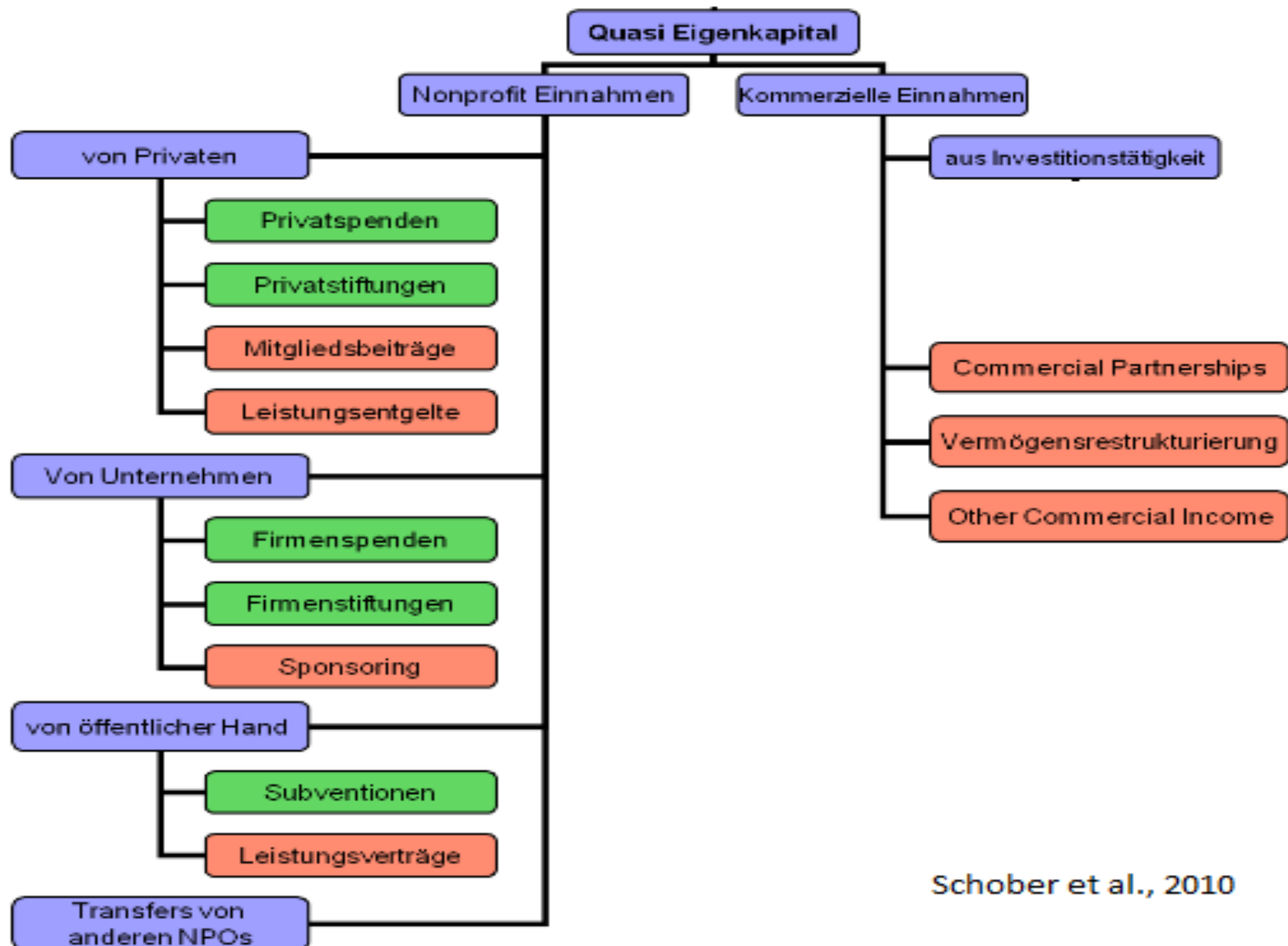
- **Slovakia** - data from 182 of the 670 surveyed NGOs
 - civic associations (84%); foundations (3%); non-investment funds (2%); organizations providing public benefit services (9%); and others (2%).

- **Austria** - data from 116 of the 126 surveyed NGOs
 - Verein, Stiftung, gemeinnützige Kapitalgesellschaft, Genossenschaft

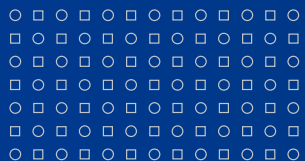
- **Czech Republic** - data from 67 of the 250 surveyed NGOs
 - pre-research phase (including pilot testing)
 - civic associations (46%); foundations (6%); foundation funds (2%); public benefit organizations (21%); and church or religious associations (25%)

Primary data

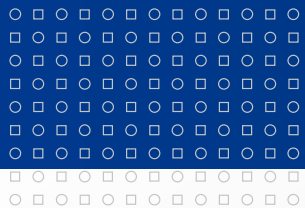
- not comparable in terms of time and size
 - it was not the aim of our survey
 - we do not want to make any compliance tests among the countries; we analyse and interpret obtained primary data in order to acquire an empirical knowledge which allows us to formulate several solutions and recommendations for theory and practice in the field of self-financing of NGOs.
- BUT!
 - despite the comparable size of the countries, as well as their shared past in the Austro-Hungarian monarchy, the influence of economic and non-economic factors leads to different development of NGOs and their funding, including the self-financing.




Schober et al., 2010



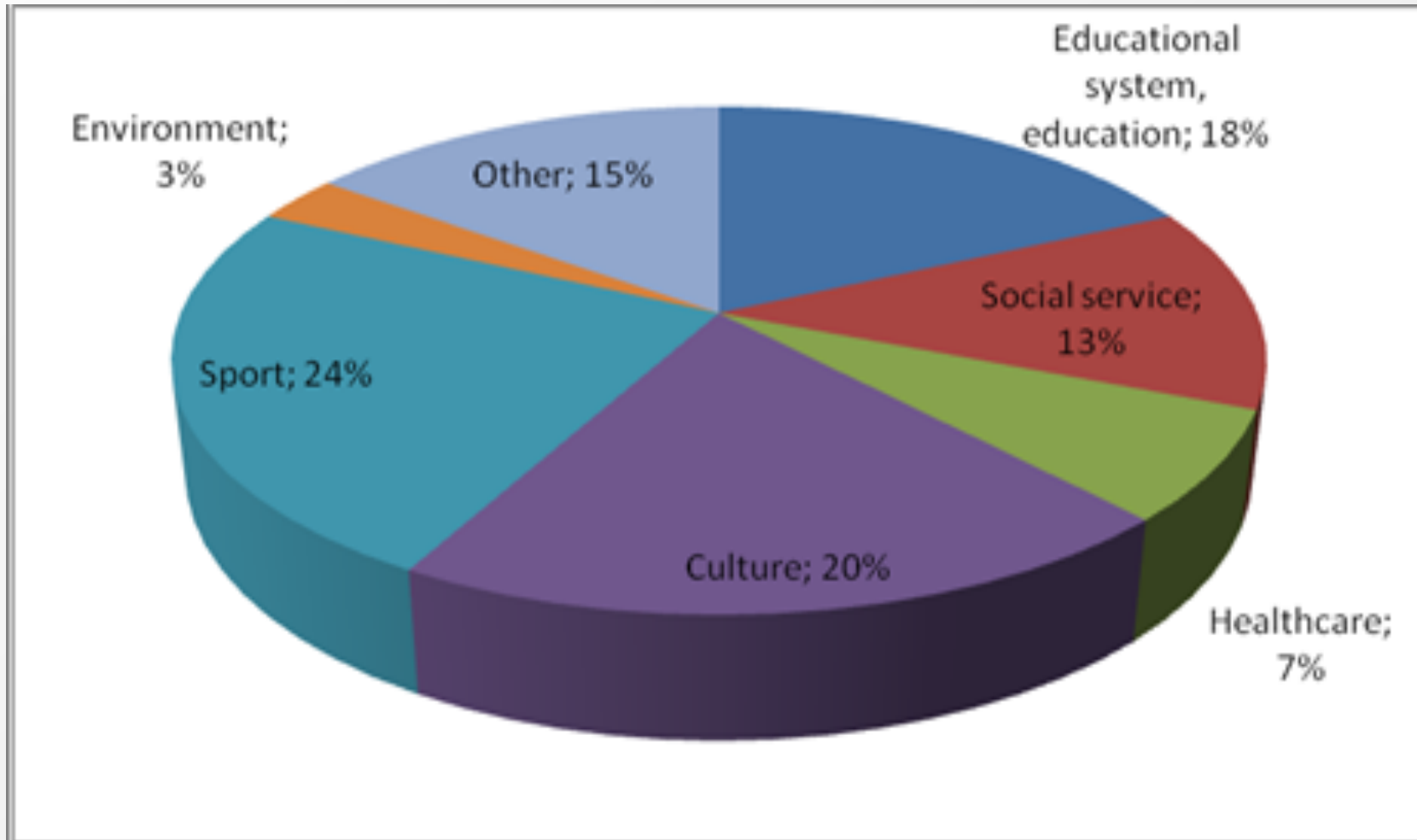
Type of funding	Source of funding	CZ	SVK	AT
Quasi-equity: non-profit income	State, state subsidies, municipal budgets	67%	42%	91%
	State/public contracts	*	4%	n/a
	Individual donors/companies	66%	60%	56%
	Grants (private foundations)	48%	45%	34%
	Assignations of 2% of tax income	n/a	92%	n/a
	Memberships fees	24%	62%	51%
	Sale of own products and services	69%	58%	63%
	Sponsorship	1%	n/a	53%
	Foreign sources, including EU grant and subsidies	22%	13%	41%
	Quasi-equity: commercial income	Assets rental	28%	15%
Investment appreciation		3%	8%	21%
Clearing of reserves		0%	0%	22%
Borrowed capital	Bank loans	*	0%	22%
	Pre-financing agreements	0%	0%	6%
Other	Other sources	1%	8%	n/a



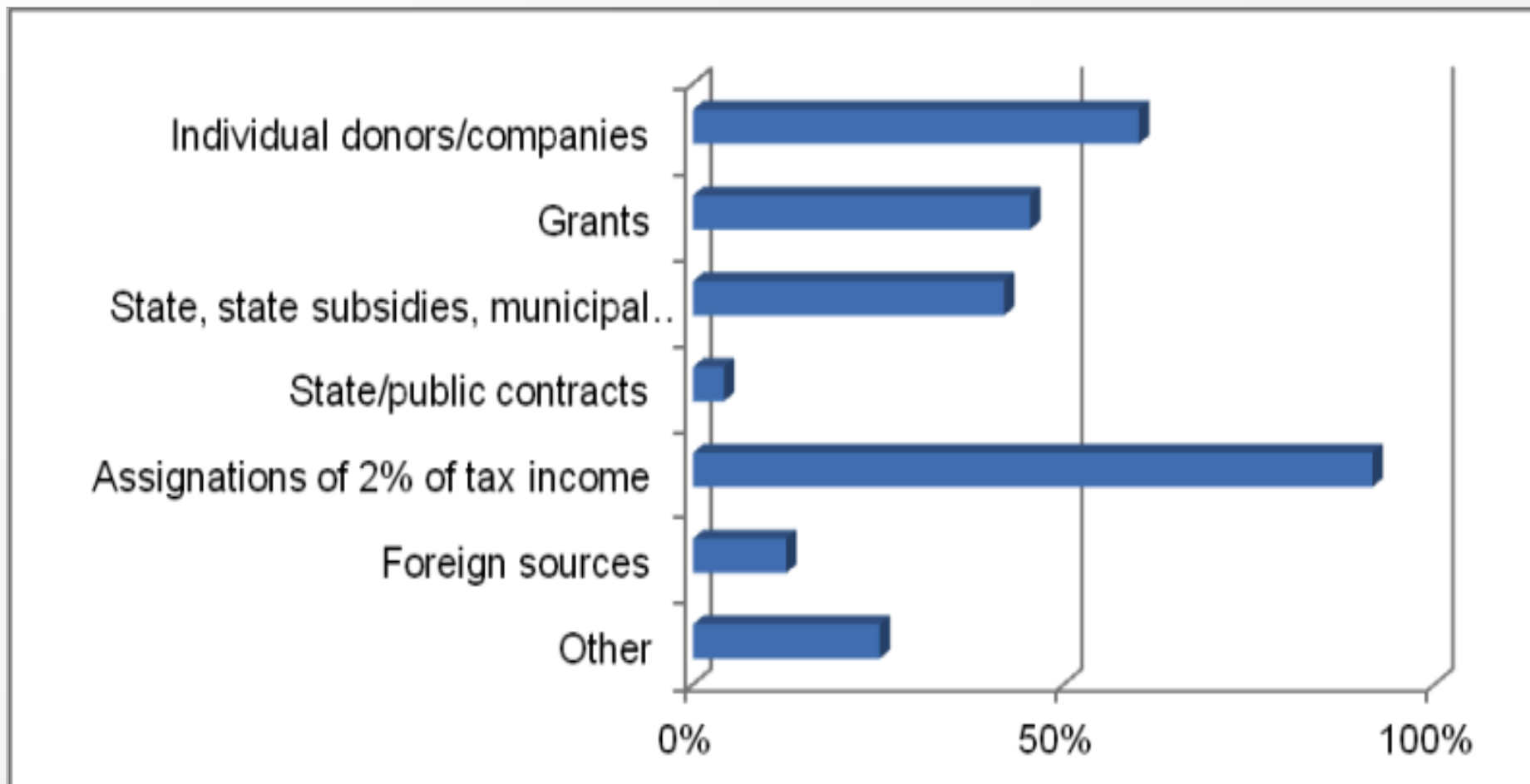
The case of Slovakia – SAMPLE SIZE - 2012

Legal form	A b s o l u t e number	Relative number
Civic association	152	83.52 %
Foundations	6	3.30 %
Non-investment fund	3	1.65 %
Organizations providing public benefit services	17	9.34 %
Others	4	2.20 %
 Total	182	100.00 %

Main core activities (Slovakia, 2012)



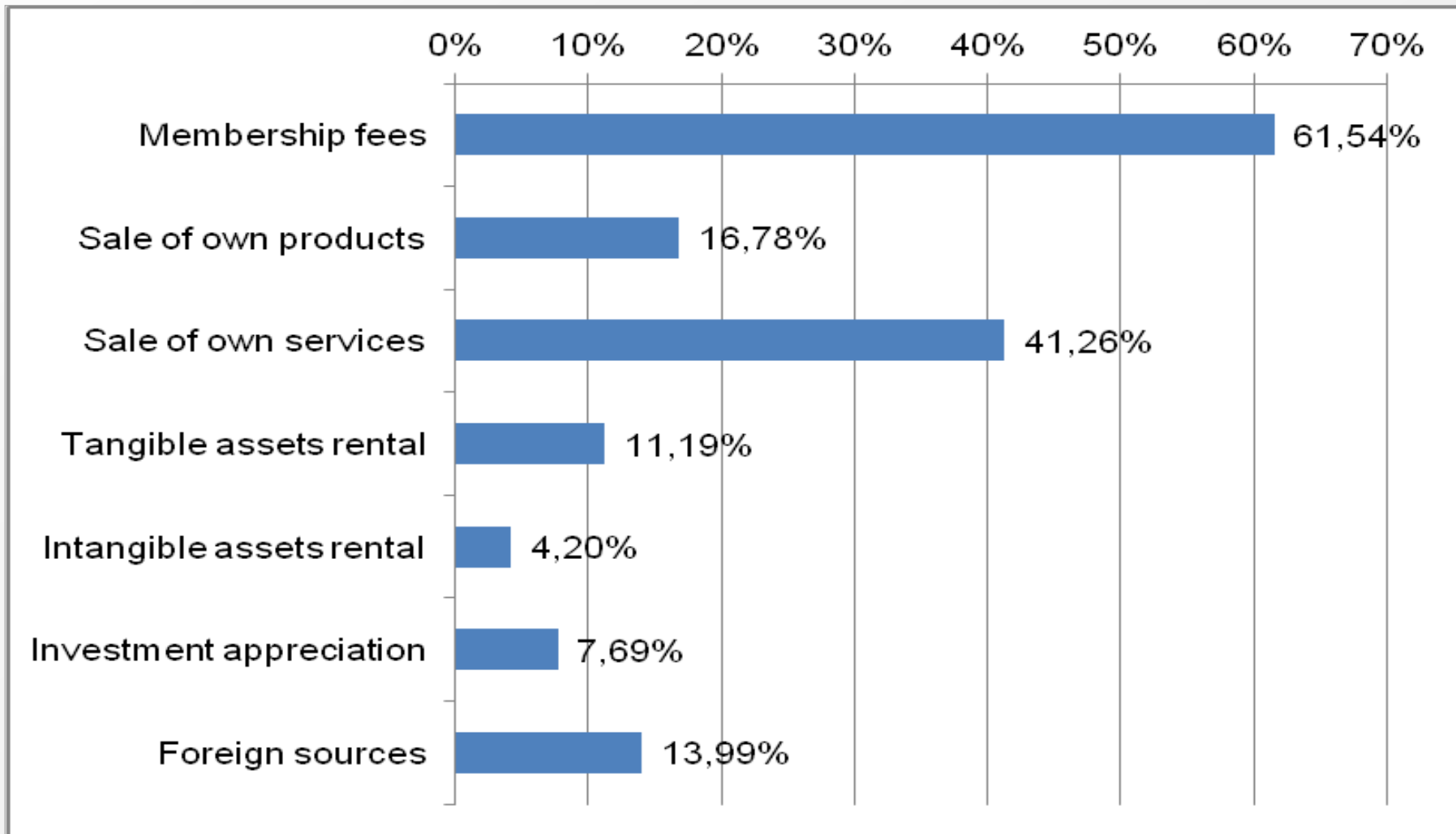
Funding sources of Slovak NGOs (2012)

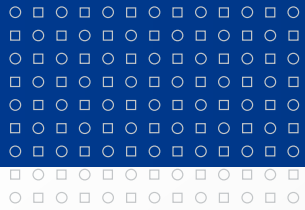


Tax assignment (Slovakia 2002 – 2012)

Year	Number of recipients	Number of participating individuals	Number of participating legal entities	Personal Income tax assignment (thousands €)	Corporate Income tax assignment (thousands €)	Total amount of Income tax assignment (thousands €)
2002	4 042	341 776	-	3 382	- €	3 382
2003	3 398	286 164	-	3 222	- €	3 222
2004	3 829	402 057	8 364	9 159	19 792	28 951
2005	5 746	418 241	14 063	10 371	20 525	30 896
2006	7 100	446 973	17 740	11 713	25 629	37 342
2007	7 662	408 277	21 632	12 819	29 306	42 125
2008	7 759	449 909	26 691	15 036	34 144	49 180
2009	9 098	503 253	30 078	17 684	37 496	55 180
2010	9 585	467 983	26 172	15 553	28 592	44 145
2011	10 049	475 843	25 427	16 526	25 444	41 970
2012	10 565	n/a	n/a	18 548	26 146	44 694

Forms of self-financing (Slovakia 2012)





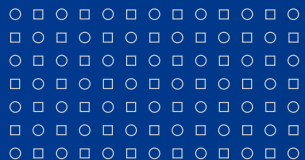
Dependency tests (Slovakia 2012)

- ❏ no correlation between the legal form of private non-profit organization and the use of self-financing (Chi-square test)
- ❏ moderate dependence between NGOs core activity and self-financing (Exact Monte Carlo test)
- ❏ moderate direct correlation between the organization's age and length of use of self-financing (Spearman correlation coefficient)



Problems with NPO commercialization (Slovakia 2009)

- ❏ a "vulnerability" of the NGOs, if the organization is relying on one-sided funding depending on success of its market activities or other forms of self-financing (1.81 ± 1.143),
- ❏ a potential risk that the organization "forgets" its mission and making a profit will become a priority (2.11 ± 1.229),
- ❏ a strong competition from the private sector (2.34 ± 1.187),
- ❏ organization may overestimate their ability and capacity to apply and develop self-financing activities (2.44 ± 1.168),



Benefits	Risks
Increase of income	Divergence of organizational sources
Increase in diversification of funding	Risk of focusing on business and not on the mission of NGO
Increase in flexibility	Reinvestment of profit into profitable activity, not into core work
Improvement of strategic and long-term planning	Risk of loss or debt
Improvement of financial management and discipline	Loss or damage of NGO's reputation
Positive impression on donors	Changes in motivations of employees and in demands on staff
Empowerment of board of advisors by using their business and managerial skills for self-financing	Competitive environment of the commercial sector (with self-financing NGO enters the commercial market)
Broadening a portfolio of products and/or services and thus broadening the client base	Distribution of products and services (SNO have limited capacity for servicing the market)
Increase of NGO's self-confidence in	Problem with servicing large target group

Future research: Motives behind the entrepreneurial activities of NPOs

- ❏ **RQ01:** *What is the scope of the profit-oriented earned-income activities of NPOs?*
- ❏ **RQ02:** *What are the motives of NPOs for producing goods and services with the explicit intent of earning a profit?*
- ❏ **RQ03:** *How can "spurious commercialization" or "FPOs in disguise" be conceptualized and empirically identified?*

Future research: Overall effect of the process of commercialization on NPO goals and their fulfillment

- ❏ **RQ04:** *What is the overall perceived impact of NPO commercialization?*
- ❏ **RQ05:** *What are the effects of NPO commercialization on the formulation of their goals/mission statement?*
- ❏ **RQ06:** *What are the effects of NPO commercialization on the fulfillment of their goals?*

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Danke für Ihre Aufmerksamkeit!