



Host: Univ.-Prof. Dr. Michael Finus

INVITATION

Prof. Dr. Michael Kopel
(Uni Graz)

On the topic:

"NGO Competition and the Disclosure of Cost Information"

Non-governmental organizations (NGOs) compete in the market for donations through fundraising activities. Commonly, NGOs are hesitant to disclose their overhead costs. One main reason is donors' negative reaction if money is not spent on the cause. In line with research in accounting and economics on disclosure, this paper takes a different perspective. It asks if NGOs that expend efforts to raise funds have strategic reasons (not) to disclose information about their fixed costs to rival NGOs. Investigating the voluntary (ex ante) disclosure policies of competing NGOs, I find that the optimal disclosure policy strongly depends on the donors' assessment of the characteristics of the NGOs' projects. If donors perceive the projects as substitutes, then cost disclosure is a dominant strategy for NGOs independent if fixed cost information for one NGO is informative about the other NGO's cost. This equilibrium choice of disclosure policies also maximizes welfare. If donors perceive the projects as complements however, then a no disclosure policy is adopted in equilibrium if a NGO's cost information is sufficiently informative about the rival NGO's cost (i.e., if the correlation between these cost signals is sufficiently high). A further analysis reveals that in the majority of cases, no disclosure also leads to higher welfare than disclosure. Consequently, if a regulatory authority would mandate disclosure of fixed costs, this would decrease welfare in comparison to the outcome obtained by decentralized decisions.

Date: May 7, 2024
Starting time: 4.45 p.m.
Location: HS 111.21/Beethovenstraße 8/2

All professors, lecturers, assistants and students are cordially invited to this lecture!