

# **Revenue Strategies and Financial Viability for Emerging Nonprofit Sector in Japan: Commercialization or Diversification?**

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The issues establishing stable autonomous revenue and securing diverse financial sources stand in opposition for the nonprofit sector, and it is more difficult problem in the emerging nonprofit sector of Japan. However, the nonprofit organizations need to manage both conditions compatibly. We examine the relations of revenue structure and financial viability using the Financial Database of NPO Corporations in Japan. In this paper the size of total expense is used as a proxy variable of the short-term financial viability, and the equity size relative to total revenue is considered as the long-term financial viability. Our empirical results show that it is important to acquire diverse financial sources such as donations and membership fees in order to improve financially viable in the long-term, while increasing commercial revenues work effectively to the short-term financial viability. Thus, the nonprofit organizations in Japan concurrently need to seek two crucial revenue strategies, the commercial revenue expansion for immediate survival and the revenue diversification for future innovation.

Keywords: nonprofit organization, revenue strategy, revenue diversification, contribution, commercial revenue, financial viability, financial index

## **1. Introduction**

Financial viability is one of the most crucial, but intractable issues for nonprofit organizations. In Japan, citizen-oriented nonprofit organizations were not able to

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be founded as corporate bodies without governmental permission for a long time. But the Act on Promotion of Specified Nonprofit Activities has been enacted in 1998, and volunteer groups and public benefit organizations formed by citizens are allowed to acquire corporate status as the “NPO Corporation”. Up to now, 47,973 organizations have become the NPO Corporation as of July 31, 2013<sup>1)</sup>. However, many NPO Corporations are struggling to ensure stable financial bases in order to keep provisioning their services.

There is no universal panacea for increasing an organization’s revenue because their activities and revenue sources are diversified. Tuckman and Chang (1991), who wrote one of the earliest research articles on this topic, introduced four financial indices to describe common characteristics among financially vulnerable organizations, which are equity to total revenue ratio, revenue concentration index, administrative expense to total expense ratio, and operating margin. Greenlee and Trussel (2000), Hager (2001) and Trussel (2002) empirically analyzed the relationships between vulnerability and these financial indices of nonprofit organizations.

These prior researches use mainly data from the nonprofit sector in the United States where much more mature nonprofit organizations exist comparing to the status in Japan, and well-organized financial databases are set up (Froelich and Knoepfle 1996, Froelich et al. 2000). In Japan, we need to build the database ourselves because we only can have document-based files of the financial statements of NPO Corporations. Further the situation that each organization uses own statements format makes difficulties for us to compare the NPO Corporations (Yamauchi et al. 2008). For example, it is impossible to distinguish government contracts from commercial revenues, corporate giving from individual giving, and government subsidies from private foundation’s grants.

Also, these researches aim to predict the financial vulnerability of nonprofits by applying the prediction model of credit-worthiness in for-profit corporations. In order to verify the applicability of these models to emerging stage of nonprofits and explore the key factor to establish financial autonomy, the Center for Nonprofit Research and Information in Osaka University started to build the Financial Database of NPO Corporations in Japan. The financial database has disclosed the data for 12,509 organizations of the fiscal year 2003, when most of NPO Corporations had been incorporated for five years or less.

Our research analyzes the relationships between financial viability and the

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1) Cabinet Office of Japan, *NPO homepage* (<https://www.npo-homepage.go.jp/>), retrieved Oct. 1, 2013.

financial indices using the financial data of NPO Corporations and econometric models in order to propose revenue strategies in emerging nonprofit sector of Japan.

## **2. Revenue Strategies of nonprofit organization**

### **2.1. Characteristics of revenue sources**

Many nonprofit organizations have tried to improve their social awareness, recognition, and sympathy in order to exploit a variety of revenue sources such as membership fees, contributions, subsidies, and grants, while some organizations, which are called social enterprises, are trying to earn commercial revenues on the social business market. However, nonprofit organizations often use funds which are earned not from direct beneficiaries of their mission activities, and this nonprofits' behavior is different from for-profits. Thus Salamon (1987) described philanthropic inefficiency as "nonprofit failure", which suggested that it would be difficult for nonprofits to acquire enough resources to cope with sustaining their services.

On the other hand, it is sometimes asserted that nonprofits are desirable to acquire autonomous funds such as commercial revenue. In the other aspect of discussion, Weisbrod (1997) pointed out a problem where the border between nonprofits and for-profits blurred when nonprofits depend too much on commercial revenue.

Froelich (1999) surveyed and listed the characteristics of nonprofits' five main revenue sources as follows. Firstly, individual contributions could mean that nonprofit organizations are getting social support and their missions and activities are accepted by citizens. So, individual contributions are a very important revenue source for nonprofits, but they are unstable fund in practice. In some cases, a large amount of contributions, or its contributors, could sway an organization's activities toward contributors' intention.

Secondly, corporate contributions could be an efficient way for nonprofit organizations to fundraise because they usually receive a larger amount of money from a smaller number of contributors in comparison with that of individual contributions. On the other hand, it is also an unstable revenue source. In addition, receiving corporate contributions makes efforts to get small amount contributions from individuals retreat. Also, it would change the management policy of nonprofits to satisfy corporations' prospect and induce a for-profit-oriented behavior.

Thirdly, foundation grants can be a large revenue source, which could also distort nonprofits' missions by the grantor's policies as well as corporate contributions. In cases where grants from foundations provide only seed money for a new project, it is often inadequate to operate the project. Then, the grant recipient must reallocate internal funds toward fulfillment of grantor's purposes. Paying this additional money may disturb the financial autonomy of other organizational activities.

Fourth, government funding, which could be subsidies or contracting, is one of the most stable revenue sources. However, it normally enforces government rules in use of money. Also, government funding may change a nonprofit's management to more bureaucratic style, and increase indirect cost. In addition, it causes a risk that an organization could lose the revenue suddenly because of policy changes.

Fifth, commercial revenue is thought to be autonomous and flexible. Also, it is easier for organizations to predict how much they will earn and how to use money. However, commercial activity must take place in a competitive market. Therefore, charitable activities would lose diversity and the insolvent needy might lose a source of support. In addition, if nonprofit organizations excessively depend on commercial activities, the difference between nonprofits and for-profits would be vague and nonprofits' missions may lose their legitimacy in the public's opinion.

## **2.2. Requirement of revenue strategies**

Nonprofit organizations must simultaneously continue to carry out their activities and diminish risks by combining a variety of revenue sources as explained in last section. Kingma (1993) indicates that nonprofits should consider revenue strategies to accomplish their missions while enduring unpredictable revenue swings and minimizing financial risks. Thus nonprofits should determine revenue portfolios by taking into consideration of financial stability, vulnerability and predictability.

At the emerging stage of nonprofits such as Japan, primary issue is to expand revenues to cover project expenses. Table 1 shows revenue size of NPO Corporations in Japan, "under 5 million yen" (approximately 50 thousand US dollars) dominate 60.1 percent. Also Table 2 shows that median of total revenue is only 2.68 million yen, and the revenue structure of NPO Corporations primarily depends on commercial revenue for 66.7 percent of their total revenue.

To analyze preferable revenue strategies under such circumstances in Japan, we hypothesize two representative models for nonprofits' growth, commercial

revenue concentration or revenue diversification. Sometimes commercial money is preferred because philanthropic support is not evolved in emerging stage of nonprofits in Japan as Table 2 shows, but charitable services provided for needy are not chargeable enough. As a result, many NPO Corporations are struggling for financial vulnerability, and 19.3 percent of them have accumulated deficit as Table 3 shows.

By reviewing the revenue structure, we understand that the NPO Corporations face two problems: (1) to acquire enough revenue to provision for charitable

**Table 1: Fiscal 2003 annual revenue size of the NPO Corporations in Japan**

	Number of NPO Corporations	Percentage
Under 5 million yen	7,519	60.1%
5 million to 50 million yen	4,129	33.0%
Over 50 million yen	861	6.9%
Total	12,509	100.0%

Note: 5 million yen is approximately 50 thousand US dollars.

**Table 2: Revenue structure of NPO Corporations in Japan**

(N=12,509)

	Total in the sector (thousands of yen)	Percentage	Average (per NPO Corporations)	Median (per NPO Corporations)
Membership fees	15,082,765	7.7%	1,206	132
Contributions	17,526,276	8.9%	1,401	0
Commercial revenue	131,245,971	66.7%	10,492	624
Subsidies and grants	22,237,706	11.3%	1,778	0
Others	10,592,125	5.4%	847	0
Total revenue	196,684,843	100.0%	15,723	2,683

**Table 3: Equity of NPO Corporations in Japan**

	Number of NPO Corporations	Percentage
Under 0 yen	2,414	19.3%
0 to 5 million yen	8,406	67.2%
5 million to 50 million yen	1,549	12.4%
Over 50 million yen	140	1.1%
Total	12,509	100.0%

service expenses in the short-term, and (2) to accumulate minimal required surplus for sustainable service and organizational survival in the long-term.

In this paper, we analyze the relations between the revenue structure and financial viability in the NPO Corporations using three financial indices, which are “social support revenue ratio”, “commercial revenue ratio”, and “revenue concentration index”. Revenue concentration index is an application of the Herfindal-Hirshman Index used for measuring the concentration of market share, and smaller value means revenue diversification. These three indices are calculated by as follows.

- (1) Social support revenue ratio = (membership fees + contributions + subsidies and grants) / total revenue
- (2) Commercial revenue ratio = commercial revenue / total revenue
- (3) Revenue concentration index =  $\sum (r_i/R)^2$ , where  $r_i$  is  $i$ th revenue source and R is total revenue

### 3. Empirical Analysis

#### 3.1. Data

As previously noted, we use the financial data of the NPO Corporations in Japan from the financial database which is open to the public by Osaka University Center for Nonprofit Research and Information<sup>2)</sup>. This database lists all registered NPO Corporations in FY 2003, and 12,509 organizations’ financial data is available for use in our analysis.

To select active organizations as samples in this research, we excluded NPO Corporations whose annual revenue and expense is respectively less than 5 million yen (approximately 50 thousand US dollars). As a result, we are using the data from 4,752 organizations, 38.0 percent of all registered organizations in the Financial Database of NPO Corporations for our analysis. Revenue distribution for these extracted samples is shown in Table 4.

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2) Osaka University Center for Nonprofit Research and Information, *Financial Database of Specified NPO Corporations* (<http://npodb.osipp.osaka-u.ac.jp>), retrieved Feb. 23, 2009.

Table 4: Distribution of revenue size for samples in the analysis

Total revenue (thousands of yen)	Number of NPO Corporations	Percentage (%)	Cumulative percentage (%)
5,000–10,000	1,208	25.4	25.4
10,000–15,000	808	17.0	42.4
15,000–20,000	482	10.1	52.6
20,000–25,000	384	8.1	60.7
25,000–30,000	305	6.4	67.1
30,000–35,000	232	4.9	72.0
35,000–40,000	184	3.9	75.8
40,000–45,000	163	3.4	79.3
45,000–50,000	129	2.7	82.0
50,000–100,000	553	11.6	93.6
100,000–1,000,000	293	6.2	99.8
1,000,000–	11	0.2	100.0
Total	4,752	100.0	

Then referring to the previous research mentioned in last section, we focus three financial indices, revenue concentration index, social support revenue ratio and commercial revenue ratio as independent variables for our analysis. The purpose of our analysis is to clarify how these financial structures affect the viability of the emerging nonprofit sector in Japan. Table 5 shows the correlation coefficient between the indices, and it implies the following financial characteristics of NPO Corporations.

- (1) Revenue concentration index takes a higher value when the total revenue increases in size. It implies diversification of revenue sources tends to decrease when the size of revenue become larger.
- (2) Social support revenue ratio takes smaller value when the total revenue increases in size. It implies membership fees, contributions, or/and subsidies and grants tend to decrease relatively when the size of revenue become larger.
- (3) Commercial revenue ratio takes higher value when the total revenue increases in size. It implies the commercial revenue tends to increase relatively when the size of revenue become larger.

Table 5: Correlations between total revenue and financial indices

	Total revenue (log)	Total expense (log)	Equity to total revenue ratio	Revenue concentration index	Commercial revenue ratio	Social support revenue ratio	Membership fees ratio	Contributions ratio	Subsidies and grants ratio
Total revenue (log)	1								
Total expense (log)	0.9687*	1							
Equity to total revenue ratio	-0.0004	-0.0222	1						
Revenue concentration index	0.1912*	0.1985*	-0.1156*	1					
Commercial revenue ratio	0.1362*	0.1555*	-0.1520*	0.5415*	1				
Social support revenue ratio	-0.1452*	-0.1654*	0.1453*	-0.5184*	-0.9115*	1			
Membership fees ratio	-0.1623*	-0.1563*	0.1120*	-0.2822*	-0.4720*	0.5120*	1		
Contributions ratio	-0.0558*	-0.0932*	0.1284*	-0.2188*	-0.4829*	0.5342*	-0.003	1	
Subsidies and grants ratio	-0.0291	-0.0330	0.0121	-0.3429*	-0.5421*	0.5962*	-0.1001*	-0.0373	1

Note: This shows Pearson's product-moment correlation coefficient, and \* indicates significance at 1% level.

### 3.2. Estimation models for short-term and long-term financial viability

As we mentioned above, the NPO Corporations have to overcome two financial difficulties. In the short-term, the NPO Corporations should acquire enough revenues to provision for charitable service expenses. In the long-term, the NPO Corporations should accumulate minimal required surplus for sustainable service and organizational survival. Based on these findings, we hypothesize two empirical estimation models, which are “the short-term financial viability model” and “the long-term financial viability model”.

The former model analyzes the organizations' expense burden for activities by using total expense as a dependent variable. The latter analyzes the organizations' financial sustainability by using equity to total revenue ratio as a dependent variable. Each model comparably uses organizational and geographic factors, and three indices previously mentioned, revenue concentration index, social support revenue ratio and commercial revenue ratio, as independent variables. The Ordinary Least Square estimation is conducted for both models.

The dependent variable in the short-term financial viability model is total expense, and equity to total revenue ratio is for the long-term financial viability model. The independent variables are revenue concentration index, and either commercial revenue ratio or social support revenue ratio because commercial revenue ratio and social support revenue ratio are the complementary revenue sources for the NPO Corporations, and also we can see that the two ratios hold a highly negative correlation in our data. Also, organizational attributions, which are incorporated years, activity field dummy, metropolis dummy, are employed in the models. The dummy variables for activity field are set for health, medical and welfare because this field occupied 39.0 percent of the NPO Corporations and



Table 6: Explanation of variables and their descriptive statistics

	Contents	Sample size	Average	Standard deviation	Minimum	Maximum
<i>Dependent variables</i>						
Total expense	Total expense (thousands of yen)	4,752	36,064	102,882	5,002	3,464,267
Total expense (log)	Total expense (log)	4,752	9.91	0.93	8.52	15.06
Equity to total revenue ratio	Equity/Total revenue*100 (%)	4,752	19.8	83.4	-615.9	3,335.1
<i>Independent variables</i>						
Incorporated years	Years as of 2004	4,719	2.78	1.32	1	5
Health/Medical/Welfare dummy	Health, Medical and Welfare field = 1, otherwise = 0	4,752	0.50	0.50	0	1
Metropolis dummy	Locate in top 3 biggest prefecture (state) which are Tokyo, Kanagawa or Osaka = 1, otherwise = 0	4,752	0.37	0.48	0	1
Revenue concentration index	$HHI = \sum (r_j/R)^2, j = 1,2,\dots,m$	4,752	0.754	0.214	0.238	1
Social support revenue ratio	(Membership fees + Contributions + Subsidies and grants) /Total revenue*100 (%)	4,752	28.8	33.9	0	100
Membership fees ratio	Membership fees/Total revenue*100 (%)	4,752	9.5	19.7	0	100
Contributions ratio	Contributions/Total revenue*100 (%)	4,752	7.9	19.0	0	100
Subsidies and grants ratio	Subsidies and grants/Total revenue*100 (%)	4,752	11.4	22.9	0	100
Commercial revenue ratio	Commercial revenue/Total revenue*100 (%)	4,752	66.5	36.3	0	100

Note: 33 organizations out of 4,752 have no information about incorporated years.

many of them are getting government money for nursing care insurance. Also, the NPO Corporations have a tendency to be located in large cities, so Tokyo, Kanagawa, and Osaka prefectures are set for the metropolis dummy variables. Other details with descriptive statistics of the variables are shown in Table 6.

### 3.3. Estimation results for short-term financial viability model

Estimation results for the short-term viability model shown in Table 7 clarify that every independent variable, except for subsidies and grants revenue ratio in the third column, statistically significantly affects the size of total expense.

Each variable indicates the following implications. Revenue concentration index is positive, so being more concentrated towards a specific revenue source is likely to enlarge the size of total expense. Also, commercial revenue ratio is positive and social support revenue ratio is negative. This suggests that it is effective for the NPO Corporations to focus on commercial revenue, but not to disperse to membership fees, contributions and other supportive sources, in order to expand their project expenses.

Table 7: Results of OLS estimation for the short-term viability model

Total expense (log)	( A )		( B )		( C )	
	Coefficient	S.E.	Coefficient	S.E.	Coefficient	S.E.
Incorporated years	0.185 ***	0.0099	0.184 ***	0.0099	0.187 ***	0.0098
Health/Medical/Welfare dummy	0.216 ***	0.0257	0.211 ***	0.0257	0.185 ***	0.0262
Metropolis dummy	0.169 ***	0.0267	0.172 ***	0.0268	0.170 ***	0.0266
Revenue concentration index	0.639 ***	0.0707	0.620 ***	0.0695	0.638 ***	0.0693
Commercial revenue ratio	0.001 ***	0.0004				
Social support revenue ratio			-0.002 ***	0.0005		
Membership fees ratio					-0.005 ***	0.0007
Contributions ratio					-0.002 ***	0.0008
Subsidies and grants ratio					0.001	0.0006
Constant	8.658 ***	0.0530	8.818 ***	0.0691	8.813 ***	0.0686
Sample size	4719		4719		4719	
F value	148.57 ***		150.05 ***		117.14 ***	
Adj. coefficient of determination	0.139		0.140		0.147	

Note: S.E. shows robust standard error. \*\*\*, \*\*, \* indicate significance at 0.1%, 1%, 5% level, respectively.

The results also show that the variables regarding organizational and geographical factors, incorporated for many years, health, medical and welfare field, and/or located in larger cities, positively affect total expense.

### 3.4. Estimation results for long-term financial viability model

Estimation results for the long-term viability model shown in Table 8 clarify that geographical factor has no significant effect, but incorporated years and the other financial indices, except for subsidies and grants revenue ratio in the third column, statistically significantly affects the equity size relative to total revenue.

Each variable indicates the following implications. Revenue concentration index is negative, so acquiring diverse revenue sources is likely to accumulate equity. Also, commercial revenue ratio is negative and social support revenue ratio is positive. This suggests that it is effective for the NPO Corporations to diversify their revenue sources such as membership fees, contributions and other supportive sources, but not to depend too much on commercial revenue, in order to accumulate surplus funds.

Table 8: Results of OLS estimation for the long-term viability model

Equity to total revenue ratio	( A )		( B )		( C )	
	Coefficient	S.E.	Coefficient	S.E.	Coefficient	S.E.
Incorporated years	4.963 ***	0.890	5.003 ***	0.889	4.847 ***	0.867
Health/Medical/Welfare dummy	1.887	2.209	2.345	2.221	4.648 **	2.018
Metropolis dummy	3.723	2.688	3.613	2.622	3.650	2.624
Revenue concentration index	-18.364 **	7.727	-21.542 ***	6.884	-25.230 ***	7.076
Commercial revenue ratio	-0.299 ***	0.051				
Social support revenue ratio			0.298 ***	0.053		
Membership fees ratio					0.422 ***	0.103
Contributions ratio					0.526 ***	0.110
Subsidies and grants ratio					0.021	0.046
Constant	37.565 ***	5.214	11.147 *	6.158	13.380 **	6.163
Sample size	4719		4719		4719	
F value	17.78 ***		15.64 ***		11.79 ***	
Adj. coefficient of determination	0.032		0.030		0.040	

Note: S.E. shows robust standard error. \*\*\*, \*\*, \* indicate significance at 0.1%, 1%, 5% level, respectively.

## 4. Financially preferable organization model

### 4.1. Estimation model for financially preferable organization

In the previous section, the short-term and the long-term viability models lead opposite conclusion. In the short-term, it is preferred to concentrate on commercial revenue to expand project expenses, but in the long-term, it is suggested to diversify revenue sources to enforce financial stability.

It is not easy for the NPO Corporations to implement both of above conditions, because their primary commercial activities are statutory nursing care services and government contracts, which are low-chargeable but barely compensated in Japan. Thus many organizations engaging in such activities are exhausted by daily operations, and could not afford to devote budget and manpower to fundraising.

Under such antimony situation, we continuously try to analyze “financially preferable organization model”, which satisfies the short-term and the long-term viability at the same time. We define financially preferable organizations as follows.

- (1) For the short-term viability, total expense is 20 million yen (approximately 200 thousand US dollars) or more.
- (2) For the long-term viability, equity to total revenue ratio is 30 percent or more.

If organizations satisfy the both above criterion, they could execute substantial projects with paid staffs in the short-term and secure survival capacity against revenue fluctuations in the long-term. In our data, 2,254 organizations (47.4 percent) met the first criterion, and 953 organizations (20.1 percent) met the second criterion. As a result, 445 (9.4 percent) fulfilled both conditions, and are defined as “financially preferable organizations”.

We use a binary-choice model for these “financially preferable organizations” because the dependent variable is a dummy variable which shows whether organizations are financially preferable or not. The dependent variable is whether organizations are or aren’t financially preferable. The independent variables are incorporated years, activity field dummy, metropolis dummy, revenue concentration index, and either commercial revenue ratio or social support revenue ratio. This paper use the Probit model under a condition where the disturbance is assumed to follow a normal distribution of average 0 and variance 1 regarding the probability density function.

#### 4.2. Estimation result for the financially preferable organization model

Estimation result for the financially preferable organization model is shown in Table 9. It shows that revenue concentration index and commercial revenue ratio have a negative effect, and social support revenue ratio has a positive effect. Also, contributions ratio has a statistically significant positive effect in the estimation

Table 9: Results of Probit estimation for the financially preferable organization model

Financially preferable organization dummy	( A )		( B )		( C )	
	Marginal effect	S.E.	Marginal effect	S.E.	Marginal effect	S.E.
Incorporated years	0.0352 ***	0.0031	0.0353 ***	0.0031	0.0352 ***	0.0031
Health/Medical/Welfare dummy	0.0453 ***	0.0088	0.0458 ***	0.0088	0.0476 ***	0.0089
Metropolis dummy	0.0206 **	0.0090	0.0204 **	0.0090	0.0196 **	0.0090
Revenue concentration index	-0.0641 ***	0.0235	-0.0663 ***	0.0230	-0.0764 ***	0.0230
Commercial revenue ratio	-0.0003 **	0.0001				
Social support revenue ratio			0.0003 **	0.0002		
Membership fees ratio					0.0001	0.0002
Contributions ratio					0.0009 ***	0.0002
Subsidies and grants ratio					-0.0002	0.0002
Sample size	4719		4719		4719 **	6.163
log likelihood	-1500.6075		-1500.6277		-1493.076	
$\chi^2$	180.03 ***		179.99 ***		195.1 ***	
Pseudo coefficient of determination	0.057		0.057		0.061	

Note: \*\*\*, \*\*, \* indicate significance at 0.1%, 1%, 5% level, respectively.

result. In addition, variables regarding organizational and geographical factors, such as incorporated years, health, medical and welfare field, and/or located in large cities, have positive effects.

As a result, financially preferable organizations tend to require diverse revenue sources, which is similar conclusion of the long-term viability model. In order to establish the financial basis for sustainable activities, the NPO Corporations should exploit diverse supporting funds such as contributions, which could compensate low-chargeable activities.

## 5. Conclusion

Should nonprofits rely on supportive revenues such as membership fees, contributions and so on? Or should they earn self-sufficient commercial revenues? In this research, we tried to resolve these generally stated questions by using objective financial database. In analysis, we focused on two criteria for the short-term and the long-term financial viability. We used total expense as for the short-term viability, and equity to total revenue ratio as for the long-term viability in our empirical analysis to understand the relations between these financial viabilities and revenue structures such as commercial revenue ratio, social support revenue ratio, and breakdown of social support revenue components.

As a result, it found that expanding commercial revenue is effective in developing the short-term viability, while seeking more diverse revenue sources is helpful for the long-term viability. Moreover, it is effective to exploit more diverse revenue sources in order to be a financially preferable organization, which meets both of the short-term and the long-term criteria at the same time. In other words, it is valuable to raise public attention in developing diverse resources such as membership fees, contributions, subsidies or grants and so on, but hazardous to depend too much on commercial revenues as a revenue strategy in emerging nonprofit sector.

However, the nonprofit organizations in the emerging stage such as the NPO Corporations in Japan are likely to procure commercial revenue because it expands the size of revenue and activities with expedition. Thus, the nonprofit organizations in Japan concurrently need to seek two crucial revenue strategies, the commercial revenue expansion for immediate survival and the revenue diversification for future innovation.

In this paper, we could only use one year's cross-section data, so the interpretation for causalities among financial indices is the issues still remaining.

Therefore, it is necessary to continuously acquire and collect panel data, including disaggregated information of business revenues and donations, so as to develop research on this field and explore revenue strategies that nonprofits should map out in the emerging stage.

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