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Transparency in Italian Nonprofit Organizations: Is It More Burdensome or Beneficial?

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Abstract Financial and nonfinancial transparency represents crucial issues in the dialogue between nonprofit organizations (NPOs) and their stakeholders and an essential dimension of accountability towards the communities in which they operate. This paper aims to provide information on the level of transparency of Italian NPOs, drawing on an analysis of the top 100 third-sector entities that have received the highest contributions from the "Cinque per mille" (0.5% contribution) scheme. The 0.5% contribution scheme is an important fiscal measure within Italy's social and welfare policy, offering taxpayers the possibility of giving 0.5% of their personal income tax as a solidarity contribution to a select variety of entities that operate in specific welfare or charitable sectors established under Italian law. The study tests the relationship between the donations to these entities (2013 and 2017 0.5% contributions) and the level of financial and nonfinancial transparency (2014 and 2018 financial statements), based on a comparison of the organizations' financial and nonfinancial information. The paper shows a specific scenario, considering the existing Italian model the answer to the question of whether financial transparency truly represents a tool to create dialogue with donors and the community or is simply a necessary instrument to justify the permitted fiscal and legal advantages. This study presents limitations. First, the research has been based on financial statements' information. Currently, there is neither a mandatory format for the presentation of financial statements nor mandatory accounting standards. Another limitation is based on the difficulty of generalizing the information collected to the whole third sector system operating in Italy. Future contributions would investigate small and nonlarge NPOs, as the third-sector reform will have a larger impact on them in terms of transparency. This probably will support an even higher level of donations.

Keywords Accountability, Non, Financial Reporting, Financial Reporting, Donations, Fundings, NPOs

1. Introduction

It is commonly accepted among scholars that nonprofit organizations (NPOs) play a crucial role in addressing contemporary socioeconomic issues [1, 2]. Financial and nonfinancial disclosure can be beneficial for NPOs, as organizations build their legitimacy in the community through the creation of a trust relation with their stakeholders. Donors cannot support an organization if they do not believe in what it does and how it behaves, and disclosure is the most powerful tool for building ties with external groups of interest [3]. In fact, the quantitative and qualitative level of financial and nonfinancial disclosure can represent an important component of accountability for NPOs; this information should be oriented toward demonstrating that the entity acts in the interest of the community [4-8]. NPOs can also suffer as enterprises from financial scandals, often harming not only their own standing within the community but also the standing of the NPO system as a whole [9]. A great deal of legislation provides mission-driven entities with fiscal advantages and lower administrative burdens, so that they can pursue projects that promote the public good, often as substitutes for governmental entities [10].

The Italian welfare state has a consolidated history, and the not-for-profit sector supports it with approximately 350,000 NPOs and 5.5 million volunteers (data from the 2011 *Italian Census*, revised in 2017, from the *Italian* National Institute of Statistics [ISTAT]), generating from 4.5% to 5.5% of gross domestic product (GDP).

The 0.5% contribution scheme is a key fiscal measure introduced in Italy in 2006 to implement the constitutional principle of subsidiarity in developing national welfare; the measure offers taxpayers the possibility to give 0.5% of their personal income tax as a solidarity contribution to select a variety of entities, which can be NPOs and other types of organizations, profit or nonprofit, that operate in specific welfare or charitable sectors established under Italian law.

The Italian legislature recently approved an important reform that exhaustively revises the organization of the third sector and the 0.5% contribution mechanism, implementing significant changes, including within the realm of financial and nonfinancial accountability, for NPOs focused on “civic, solidarity and social purposes”.

The actions taken by the Italian government are due to the idea that accountable entities can benefit from more comprehensible data and that transparent positions can both create a model where stakeholders can feel like part of the system and reduce information asymmetries [11, 12]. Due to their new financial and nonfinancial disclosure commitments, ETSs are automatically eligible to be included within the scope of the 0.5% contribution scheme, while other types of entities need to prove compliance with additional requirements. In other words, the government has assumed that disclosure transparency is one of the instruments justifying fiscal and legal advantages due to its potential function in developing both dialogue with donors and the community and stakeholder engagement in organizations’ strategy and activity. Because of its potential impact on the redistributive public policy connected with this fiscal measure, this reasonable assumption is worth analyzing here in depth.

This paper also contributes to the local and international debate surrounding transparency in several ways. First, it provides an exploratory basis to highlight the state of disclosure transparency in Italian NPOs (especially large NPOs) before the third-sector reform and the natural trend transparency has followed in the absence of mandatory requirements on financial statements and nonfinancial reporting. This proposes some related considerations about the information needs that are seen as significant by entities and their stakeholders. The information available to stakeholders can be compared over time – as this study takes into consideration the disclosure transparency of Italian NPOs at the beginning of both 2016 and 2019 provided through financial statements and nonfinancial reports for 2014 and 2017 (see chapter 2) – and with other cases, since the literature provides similar research regarding other countries. This allows us to point out general observations and trends regarding our analyzed results. It is important to reiterate that, doing so, the 2014 financial statements were the last statements available at the time of the first data collection conducted in 2016, while the 2018 financial statements were the last statements available at the time of the data collection in 2019.

The paper provides observations on the relationship between the transparency efforts and donations of NPOs by examining a controversial topic already dealt with by academics. This opens the field to other observations on the development of Italian legislation within this context.

The design of the paper is as follows. After an overview of the analyzed scenario, the following chapter reviews the existing literature, exploring the information gathered by similar empirical research and defining the framework from which the current research stems. The next chapter focuses on the research design and methodology adopted to collect data. The subsequent section debates the content and the results obtained from the analysis. Last, the study concludes with comments, observations, limitations, and possible avenues for future research.

2. Overview and National Context

The assignment of funding from the 0.5% contribution scheme takes place on the basis of choices expressed by taxpayers on their annual tax returns in favor of individual beneficiaries.

To be implemented, the fiscal mechanism and the resource allocation procedure take a period of at least two years following the fiscal year in which Italians express their choices and to which the 0.5% contribution corresponds. The current research is based on the official lists of the entities allowed to access funds from the 2013 and 2017 0.5% contributions at the time of the collection of the data in January 2016 and March 2019, respectively. Considering the aim of the study to investigate the transparency and effectiveness of the disclosure behavior, the assessment was conducted on the latest financial and nonfinancial reports and disclosures available when the benefited entities’ lists were made official; therefore, since data were collected no later than the first quarter of each year (when financial statements and reports for the previous year generally are not yet approved and published), the disclosure and reporting available on the 2013 and 2017 0.5% contribution lists at the time of research related to the 2014 and 2018 periods.

The following table shows data on the 0.5% contribution list from the Italian Revenue Agency (*Agenzia delle Entrate*) for 2013 and 2017.

Table 1. Analysis of top 100 organizations receiving 0.5% contribution

	2017	*2013*
0.5% Total Amount:	€ 495,841,715	€ 392,296,549
Beneficiaries:	59,914	48,528
Number of Individual Choices:	14,191,271	14,156,258
S1-50:	0.08% of beneficiaries	0.10% of beneficiaries
0.5% S1-50 Amount:	€ 208,695,157 (42.09%)	€ 169,877,040 (43.30%)
Number of Individual Choices:	5,516,143	5,697,158
S1-100:	0.17% of beneficiaries	0.21% of beneficiaries
0.5% S1-100 Amount:	€ 235,394,386 (47.47% of the total)	€ 191,976,559 (48.94% of the total)
Number of Individual Choices:	6,334,886	6,563,918
Milestone Ranking:	N. 1: € 64,482,794. N. 50: € 768,050. N. 100: € 407,711.	N. 1: € 54,577,166. N. 50: € 665,486. N. 100: € 293,352.

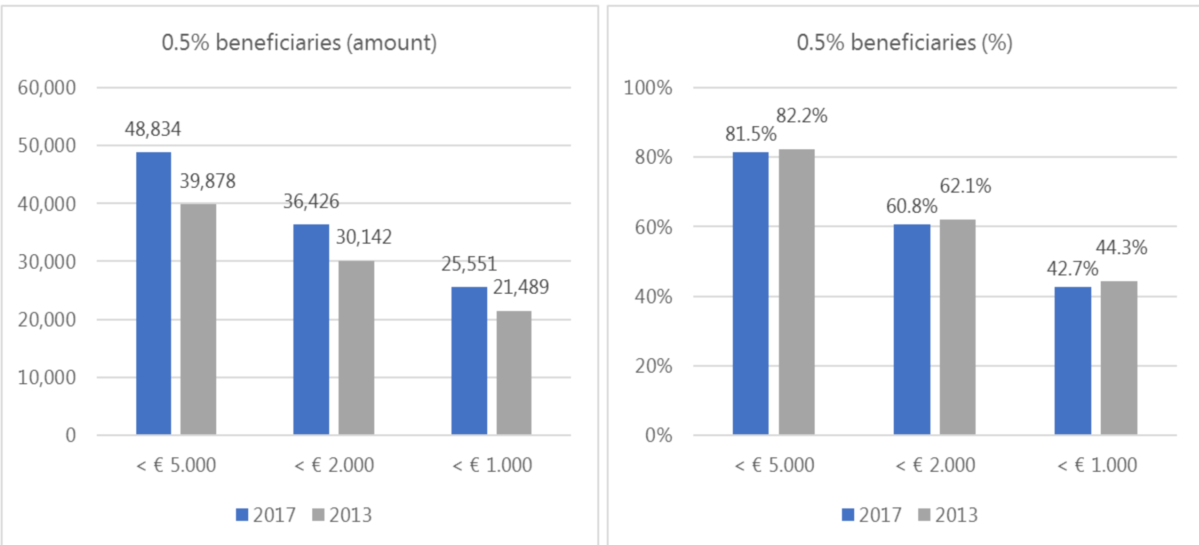

Figure 1. A comparison between of the percentage of low donations on total 2013 and 2017 0.5% contributions

It is immediately evident that the total amount of funding under the 0.5% contribution scheme significantly increased in the four annual periods from 2013 till 2017 (+ € 103,545,166, which represents an increase of 26.39%).

Moreover, the distribution of the funds became more unequal: on one hand, it is true that the percentage of the total amount of the 0.5% contribution scheme given to the top 100 beneficiaries (S1-100) decreased only slightly from 2013 to 2017 (from 48.94% to 47.47%) and that the group represented a smaller share of the beneficiaries (from 0.21% to 0.17%). Similar trends also characterize the top 50 beneficiaries (S1-50).

However, by extrapolating from the general list of beneficiaries, the number of benefited NPOs in specific categories is identified on the basis of determined contribution thresholds, it is also possible to calculate the weight of the examined samples with respect to the other groups and the entire group of beneficiaries: in 2013, on more than 48,500 beneficiaries, nearly 39,900 (82.2%) received less than € 5,000; more than 30,100 (62.1%) received less than € 2,000; and nearly 21,500 (44.3%) received less than € 1,000.

In 2017, on more than 59,900 beneficiaries, nearly 48,900 (81.5%) received less than € 5,000; nearly 36,500 (60.8%) received less than € 2,000; and nearly 25,600 (42.7%) received less than € 1,000.

In brief, the percentages may make it seem that the situation has become more equal, but the amounts of these categories are so distant from the top beneficiaries that no one could reasonably have this perspective: even without arguing about the fairness of the mechanism, it is immediately clear that even in 2017 a very small share of beneficiaries (0.17%) received more than 47% of the annual funds available, while 81.5% received a contribution nearly 82 times lower than that collected by the hundredth beneficiary in terms of decreasing contribution.

Last, with regard to the overall disclosure behavior of the sample, it is immediately worth noting that, moving from the Italian Revenue Agency data, in the S1-100 category, the percentage of NPOs publishing financial and/or nonfinancial information – which includes environmental, social and governance (ESG) information – on their websites did not significantly increase in the two years considered, going from 65% (2013) to 66% (2017). By considering the two segments S1-50 and S51-100 separately (into which the top 100 benefited NPOs can be divided), we can see that the range of overall disclosure behavior has basically remained the same: among the top 50 benefited NPOs, 74% disclosed financial and/or ESG information on their websites, compared to 56% (2013) and 58% (2017) of the bottom 50 among the top 100.

In general, (and this applies to all information fields covered by this study), the trend emerges whereby large entities (in terms of total assets) are also the most careful in drawing up and publishing financial and/or ESG information, and in addition, they benefit from the highest amounts of funding from the 0.5% contribution scheme.

3. Literature Review

3.1. Theoretical Framework

This study falls within the field of research attempting to relate NPO transparency to the ability to obtain donations. The theoretical framework utilized during our research is essentially based on stakeholder theory applied to NPOs [13], derived from the fact that transparency is a crucial element in the relationship between entities and potential donors, providing comprehensible information and expressing the overall direction and behavior of NPOs' management [14-16].

Lewis [17] states that stakeholders refer to "any person or group that is able to make a claim on an organization's attention, resources or output or who may be affected by the organization". Abzug and Webb [18] adapt this framework to the relationship between a focal for-profit organization and different nonprofit stakeholder groups, and they suggest testable hypotheses for further research. They also indicate that many bilateral (nonprofit and for-profit) stakeholder relationships can also be modeled as principal–agent relationships [19]. According to Le Roux [20], NPOs are responsible for various groups of stakeholders, such as corporations, clients, citizens, and the government, and all the interests of these groups have intrinsic value. Ebrahim [21] discusses the need for nonprofit accountability measures to offer a full account to all stakeholders of the actions of "individuals and organizations" regarding "organizational missions, goals and performance". According to Freeman and Reed [22], groups of stakeholders include "any identifiable group or individual on which the organization is dependent for its continued survival".

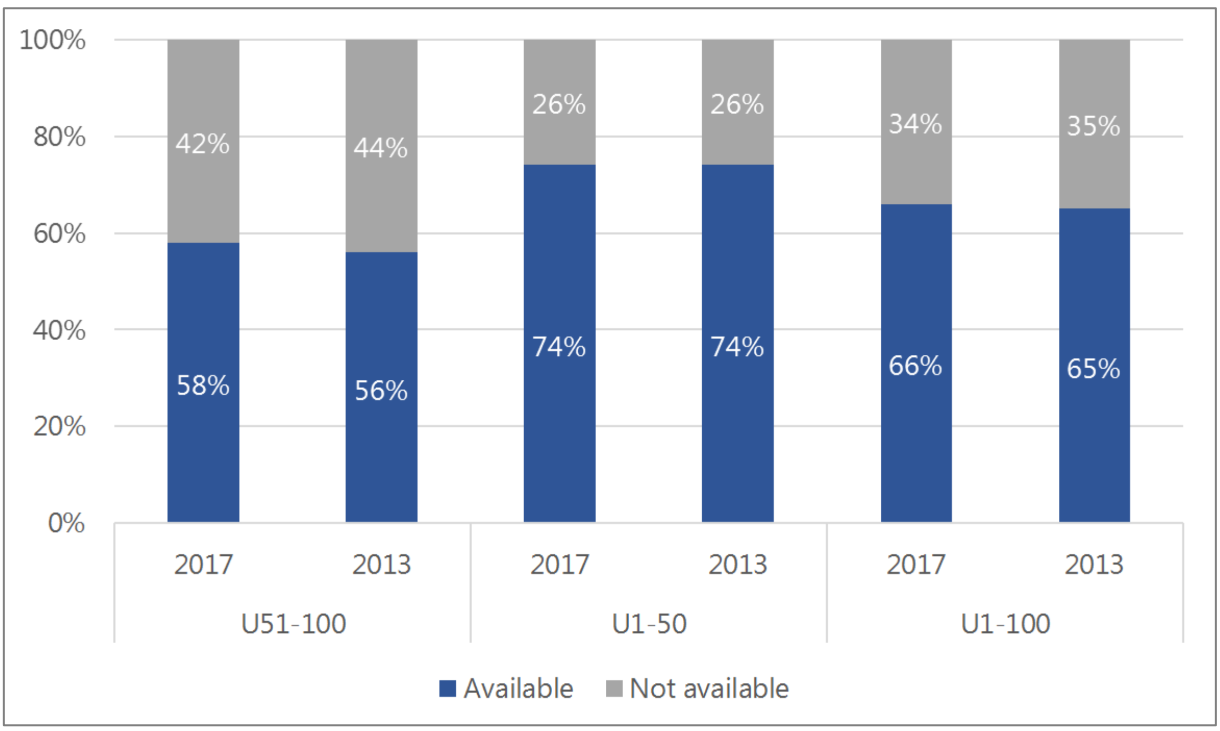

Figure 3. Financial and/or non-financial disclosure on website

Information about volunteer contributions of service, which are critical resources for NPOs, is an important part of social accounting that demonstrates to external and internal stakeholders that NPOs' moral responsibility has been fulfilled [23, 24, 21]. The research framework is linked to stakeholder theory, which is concerned with the relationship between an organization and its stakeholders [25-29, 15, 16]. In line with this theory, an organization (for-profit or nonprofit) might engage in reporting activities to discharge its accountability towards its stakeholders.

In 1984, Freeman [15] introduced a new concept of stakeholders focusing on the interrelationship between the organization and different groups, such as customers, employees, suppliers, shareholders, community, environment, etc. One year later, Ullmann [30] explained through stakeholder theory the quantity and quality of disclosure by using three dimensions (stakeholder power, strategic posture, and financial performance). Snider et al. [31] have since argued that stakeholder theory is the appropriate framework for evaluating reporting and transparency.

Overall, by engaging in disclosure of information, NPOs clearly accept their stakeholders' right to know about certain aspects of their reporting. The result will be a reduction in information asymmetry and an enhancement of transparency. Transparency is a key condition for reporting [32-34], but at the same time, NPO reporting is a vehicle to improve transparency [35, 36].

According to some scholars, analyzing transparency in the nonprofit sector is important because many stakeholders contribute significant time and money to nonprofit efforts and want to know that their efforts and financial resources are being used efficiently and for the specified purposes [37-39].

In the context of socioeconomic policies supporting the welfare state, and with particular regard to the 0.5% contribution measure, transparency in financial and nonfinancial disclosure seems to be even more relevant. Indeed, according to stakeholder theory and specifically the theory of stakeholder identification and salience [40], priority has to be assigned to the category of donors who constitute dominant stakeholders given their power [41, 42] and the legitimacy of their expectations [43, 44]. The attribute of urgency could also easily be associated with this group of donors (making them "definitive stakeholders") should they reduce their donations because of a lack of trust in NPOs, transparency in external communication, or effectiveness in the use of given resources.

3.2. Transparency and Accountability Concepts

Many authors have focused their attention on the transparency and accountability of NPOs [45]. Specifically, transparency can be addressed as one of the four dimensions of the broader concept of accountability, along with the capability of promoting and activating stakeholders' involvement, external and internal performance evaluation, and the ability to respond to stakeholders' concerns [46, 21]. From a conceptual point of view, transparency is a way to prevent scandals, even offering the prospect of guaranteeing the integrity of the whole system [47]. The credibility of NPOs' transparency efforts must be based on their web presence, which also serves as an instrument for brand marketability and donation collection, especially among younger generations [48].

Berman and Davidson [49] illustrate that economic efforts to increase an organization's accountability cannot justify an increase in donations. Tyler [50] argues that philanthropic organizations should not be subject to excessive administrative burdens related to transparency so that they can, in turn, utilize their available resources in pursuing their mission.

3.3. Transparency and Donations

The relation between transparency (and/or accountability) and donations can be specifically studied in the Italian context by analyzing the effect of financial transparency on the level of donations, which can be examined through the amount of funding received through the 0.5% contribution scheme. Gazzola et al. [29] carried out a study on the association between transparency, operationalized as an NPO having published a sustainability report, and an NPO being among the top 100 beneficiaries of the 0.5% contribution scheme. The cited study concludes that there is a positive correlation between how often taxpayers include an NPO among their "expressed choices" and an NPO's transparency level and that there is a negative correlation between funds received and transparency level.

Some research examines and measures transparency related to activities and projects and not to the organization itself [51]. Furthermore, statistical tests indicate that total funding received is significantly related to the extent of disclosure [52].

Scholars have tried to measure an NPO's performance by applying many different methods [53]. Van Iwaarden et al. [54] try to measure the relationship between performance and donations by distributing a survey among many NPOs to understand the importance attributed by donors to the effectiveness of the organization. This study concludes that performance is not significant in the selection of the benefited NPO.

4. Research Design

4.1. Hypothesis Development

This paper focuses on the level of transparency and the connection between transparency and funding. The research is conducted on a sample of 59 entities. The number of observations arises from the examination of the list of the 100 entities that received more contribution from the 0.5% scheme in 2013 and 2017. We took into examination the entities included in both the periods to compare the occurred variations. Moving from this sample we excluded the entities for which it resulted impossible to recover financial information for both the periods.

The aim is to provide an evidence-based critique of current practices within Italian NPOs in voluntarily offering detailed transparency information. In particular, the study seeks to stimulate further debates in an endeavor to stimulate NPOs to adopt a more comprehensive approach to the content of their disclosures and public accountability [55]. One criticism held by NPO operators is that transparency requirements impose administrative burdens and that these burdens can exceed the corresponding benefits. The current investigation seeks to explore whether the level of transparency in disclosures of financial and nonfinancial information has increased or decreased over time. This leads to the first research question:

RQ1: What are the status and trends of NPO transparency in Italy?

The analysis departs from a previous, similar study conducted on the same sample examining the transparency of third-sector entities in 2014 [56]. The current paper is oriented toward comprehending whether there is a correlation between financial transparency and donations by exploring the ongoing relation between increases in financial transparency and the donations obtained from the aforementioned public campaign. The corresponding research question is as follows:

RQ2: Is there evidence of a relationship between financial transparency and receipt of donations?

To respond to the proposed research questions, we use a combination of different methods. Qualitative and quantitative methods can coexist with each other, representing a well-recognized form of research in social sciences [57, 58]. The sample of the benefitted NPOs is composed of large organizations. They are sometimes represented by a federation, which in the Italian nonprofit sector is traditionally the coordinator of local NPOs. These NPOs form an associative network and, although they are juridically and financially independent, share similar missions, founding principles and ideologies.

In general terms, large NPOs have significant assets and structured organizations. A larger economic size of NPOs often corresponds to a higher number of employees and volunteers, a reasonable level of professionalization and a high sensitivity to social reporting processes.

Some commentators recognize that even though there is no empirical demonstration of it in the literature, there is also an important relationship between the size of an organization and its ability to attract preferences within the public 0.5% contribution mechanism [59].

4.2. Variable Specification

The analysis examines financial transparency as an independent variable. It is measured based on the disclosure information and data collected through an empirical review of the examined NPOs' websites. All are large organizations, and the existence of a website was assumed. This assumption, which was confirmed, arises from the consideration that the examined NPOs are large and that having a website is an unavoidable communications tool for them [60, 61]. It should be noted that the third-sector reform also assumes that large NPOs have their own website, requiring them to publish on the Internet public information such as their social reports. This analysis starts by detecting the presence and accessibility of financial and nonfinancial information (including ESG information) concerning the organizations' management as well as any internal and/or external control bodies.

The financial and nonfinancial information is usually published in separate documents included in specific sections, such as "who we are", "the organization", and "financial data". Sometimes, Italian NPOs prefer to publish a more technical PDF file that contains more detailed data and information than what is directly found on their websites, which leads us to presume that the organizations recognize that a different level of information might be required or requested by interested stakeholders.

In this analysis, we elaborated two different transparency variables: the first (*Score_Quant*) is a measure of disclosure quantity based on the present/absence of specific information regarding financial and nonfinancial disclosure, and the second (*Score_Qualit*) indicates the quality of the information provided in the report. More details are provided below.

Starting with *Score_Quant*, we consider the following four aspects. Each assumes the value of 1 if present and 0 otherwise:

A. the publication of financial and nonfinancial information on the NPO's website based on informal and/or digital presentation;
B. the presentation of an efficiency analysis that explains how the organization has used the available resources [62, 54];
C. the publication of financial statements related to previous fiscal years [63];
D. the publication of nonfinancial information, such as ESG and sustainability reports or similar reports, where it is possible to deduce social strategies and policies related to previous fiscal years [29].

The second variable indicates the quality of disclosure (*Score_Qualit*). Each of the following aspects takes the value of 0 to 3:

A. the presentation of financial statements and the degree of quality of the information (0 if absent; 1 if present, but without any specification of the applied technical requirements; 2 if present with the specific criteria for the presentation described, even if there is no adoption of generally accepted practices for the sector; 3 if present with adoption of one of the assumed best practices, such as the accounting recommendations enacted by the local accountancy body [Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili] or the former Authority for the Third Sector [*Agenzia per il Terzo settore*]);

B. the presentation of a nonfinancial statement or sustainability report and the related level of quality (0 if absent; 1 if present but without any specification of the applied technical requirements; 2 if present with the specific criteria for the presentation described, even if there is no adoption of generally accepted practices for the sector; 3 if present with adoption of one of the assumed best practices, such as the Global Reporting Initiative framework, the Account Ability's AA1000 Series of Standards, or the guidelines enacted by the former Authority for the Third Sector or from other recognized scientific or professional groups);

C. the opinion (and, therefore, the existence) of a body operating within the organization whose primary purpose is monitoring the organization's compliance with the law. It is quite common for NPOs to use this configuration by having a board of auditors that monitors the NPO's operations and by sometimes adding this function to the audit activity (0 if absent; 1 if present but without any specification of the applied technical requirements; 2 if present with the applied technical criteria described, even if there is no adoption of generally accepted practices for the sector; 3 if present with adoption of one of the assumed best practices, such as the technical requirements for statutory boards of private companies adapted to NPOs or the specific guidelines enacted by the CNDCEC);

D. the opinion (and, therefore, the existence of external auditors) enacted by a body operating within or outside of the organization whose primary purpose is to audit financial statements [61] (0 if absent; 1 if present without any specification of the applied technical requirements; 2 if present with the applied technical criteria described, even if there is no adoption of generally accepted practices for the sector; 3 if present with adoption of one of the assumed best practices, such as the *National Standards on Auditing*).

The sum of the single scores determines the quality of disclosure of each NPO.

4.3. Model Specification

The investigation and data collection, as well as the empirical analysis of the scenario and trends, concern the financial and nonfinancial disclosures of the top hundred beneficiaries of the 0.5% contribution scheme in 2013 and 2017. The regression analysis covered 59 of the entities included among the top hundred benefited NPOs in both years.

To test our hypotheses, we set up a regression model by using the STATA software package, and we elaborated the following two empirical models to separately test the effect of *Score_Quant* on *Cinque per Mille* and the effect of *Score_Qualit* on *Cinque per Mille*:

$$Cinque\ per\ Mille\% = \beta_1 Score\_Quant + Control\ Var \tag{1}$$

$$Cinque\ per\ Mille\% = \beta_1 Score\_Qualit + Control\ Var \tag{2}$$

where:

Cinque per Mille% (0.5% contribution) = the amount of funding received as a percentage of the total amount received by the top 100 Italian NPOs;

Score_Quant = the level of disclosure quantity (the maximum value for each NPO is 4);

Score_Qualit = the level of disclosure quality (the maximum value for each NPO is 12);

Control Var = the natural logarithm of the NPO's total assets[1].

5. Results and Findings

The review of the sample of benefited NPOs took into consideration 2 different transparency indicators: *Score_Quant* and *Score_Qualit*. We analyzed the effect of those variables on the *CinqueXMille* to find potential evidence with respect to the research hypotheses presented above. However, as indicated in our models, four binary data points were used for *Score_Quant* (for the first model), and 4 discrete variables were used for *Score_Qualit* (for the second model).

5.1. Descriptive Statistics

Table 2 reports descriptive statistics for the variables used in the regression model applied to Italian NPOs. The descriptive results indicate that the mean of the *ScoreQuant* and *ScoreQualit* in 2014 are lower than those in 2017 (2.457 and 5.456 compared to 3.000 and 6.6949, respectively); this demonstrates that by 2017, the NPOs had enhanced their level of transparency. The mean of *CinqueXMille* in percent of the total *CinqueXMille* funding

1 The control variable is used in regressions' analysis since it represents a factor that kept the same for every test or measurement in order to make sure that the results can be compared fairly. In business, management and accounting studies, one of the most used metric for control variables is Total Asset converted in natural logarithm.

received by Italian NPOs in the two years are similar (0.0063 and 0.0060). Furthermore, the correlation matrix (not reported) and the multicollinearity test (VIF test) were calculated and revealed no problems of collinearity.

5.2. Regression Results from Score_Quant and CinqueXMille

The first analysis focused on verifying whether the transparency information in terms of information quantity provided is associated with the amount of funding from the 0.5% contribution scheme. Regarding the first hypothesis, we tested the effect of the four binary data sets on *CinqueXMille* in 2014 and 2017. Table 3 shows the results for fiscal year 2014.

According to the table 3, there is no relationship between *Score_Quant* and *CinqueXMille* since the significance is above the 10% level. This empirically demonstrates that the amount of information produced by NPOs in terms of the presentation of financial statements and ESG reporting of prior years, the informal and/or digital presentation of various types of web-based tools, and the presentation of an efficiency analysis with indicators are found to be irrelevant for explaining the contribution received. We ran the same regression analysis considering fiscal year 2017 to determine whether something changed.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
CinqueX~2014	59	0.0063	0.0184	0.001	0.139
ScoreQuant 2014	59	2.4576	1.3812	0.000	4.000
ScoreQualit 2014	59	5.4576	3.3493	0.000	12.000
LnTA 2014	59	12.1417	7.9057	0.000	20.992
CinqueX~2017	59	0.0060	0.0172	0.001	0.130
ScoreQuant 2017	59	3.0000	1.2177	0.000	4.000
ScoreQualit 2017	59	6.6949	3.0640	0.000	12.000
LnTA 2017	56	14.7647	5.9253	0.000	20.728

Table 3. Regression results *Score_Quant* and *CinqueXMille* (year 2014)

Source	SS	df	MS		
				Number of obs =	59
				F(2, 56) =	1.14
Model	0.000774	2	0.0004	Prob > F =	0.3258
Residual	0.018935	56	0.0003	R-squared =	0.0393
				Adj R-squared =	0.0049
Total	0.019709	58	0.0003	Root MSE =	0.01839

CinqueX~2014	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
ScoreQuant	0.00105	0.0021	0.5	0.618	-0.0032	0.0053
LnTA2014	0.00033	0.0004	0.91	0.367	-0.0004	0.0011
_cons	-0.00034	0.0052	-0.07	0.947	-0.0107	0.0100

Table 4. Regression results *Score_Quant* and *CinqueXMille* (year 2017)

Source	SS	df	MS		
				Number of obs =	56
				F(2, 53) =	1.03
Model	0.0006	2	0.000320	Prob > F =	0.3639
Residual	0.0165	53	0.000310	R-squared =	0.0374
				Adj R-squared =	0.0011
Total	0.0171	55	0.000311	Root MSE =	0.01762

CinqueXMi~2017	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
		ven				
ScoreQuant2017	0.00173	0.00212	0.82	0.418	-0.00253	0.00599
LnTA2017	0.00032	0.00045	0.71	0.482	-0.00058	0.00121
_cons	-0.00382	0.00725	-0.53	0.6	-0.01837	0.01073

Table 5. Regression results *Score_Qualit* and *CinqueXMille* (year 2014)

Source	SS	df	MS		
				Number of obs =	59
				F(2, 56) =	2.58
Model	0.0017	2	0.0008	Prob > F =	0.0845
Residual	0.0180	56	0.0003	R-squared =	0.0845
				Adj R-squared =	0.0518
Total	0.0197	58	0.0003	Root MSE =	0.01795

CinqueX~2014	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
ScoreQualit	0.00158	0.00091	1.74	0.087	-0.00024	0.00340
LnTA2014	0.00001	0.00039	0.03	0.976	-0.00076	0.00078
_cons	-0.00248	0.00475	-0.52	0.604	-0.01199	0.00704

As for fiscal year 2014, there is no association between the variables since the P-value is equal to 41.8%. This shows that even though we considered a more recent year (2017), we found the same irrelevant association between the variables. The measure of disclosure proxied by *Score_Quant* does not contain information relevant to explaining the contribution provided. Next, we estimated the model for the second transparency variable, focusing on the level of detail and quality of information disclosed.

5.3. Regression Results from Score_Qualit and CinqueXMille

The second regression model assessed whether the quality of the transparency information provided is related to the amount of funding collected under 0.5% contribution scheme. Regarding the first hypothesis, we tested the effect of the four sets of data information on *CinqueXMille* in 2014 and 2017. Table 5 shows the results for fiscal year 2014.

According to the data reported in table 5, there is a positive relationship between *Score_Qualit* and *CinqueXMille* (the coefficient is 0.00158), and it is also found to be statistically significant at the 10% level (P-value equal to .087). This shows that the quality of information provided by an Italian NPO in its financial statements and ESG reporting, together with the quality assurance provided by internal and external control boards, is found to be relevant in explaining the contribution received.

To check whether this relationship remained strong after some years, we estimated the same regression analysis for fiscal year 2017 to determine whether something changed.

Table 6. Regression results *Score_Qualit* and *CinqueXMille* (year 2017)

Source	SS	df	MS		
				Number of obs =	56
				F(2, 53) =	2.15
Model	0.0013	2	0.0006	Prob > F =	0.1271
Residual	0.0158	53	0.0003	R-squared =	0.0749
				Adj R-squared =	0.04
Total	0.0171	55	0.0003	Root MSE =	0.01727

CinqueXMil~2017	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
ScoreQualit2017	0.00131	0.00078	1.69	0.098	-0.00025	0.00287
LnTA2017	0.00027	0.00041	0.67	0.508	-0.00055	0.00110
_cons	-0.00687	0.00715	-0.96	0.341	-0.02122	0.00748

As for fiscal year 2014, there is a positive and significant association between the variables (a coefficient of .00131): although the P-value is slightly decreased, it remains below the threshold of 10% (P-value is equal to .098%). This demonstrates that even though we considered a more recent year (2017), we found the same correlation between the variables. The second measure we used to proxy the disclosure of NPOs contains information relevant for explaining the *CinqueXMille* funding received. We should also notice that findings showed in tables 3, 4 (the relationship between *ScoreQuant* and *CinqueXMille* in both years 2014 and 2017) and 8 (the relationship between *ScoreQualit* and *CinqueXMille* in 2017) indicate a non-significant p-value of F-stat so that results may be conducted to poor and insignificant interpretations.

6. Conclusions and Discussion

This study contributes to knowledge of the third sector by considering Italian NPOs. The level of financial transparency was slightly higher in 2017 than in 2013, which demonstrates the clear evolution of the accountability system. This substantiates the idea that stakeholders' donation preferences are associated with the possibility of retrieving information about their interests [64]. The increase in transparency also confirms an increase in published technical documentation, which is quite a natural consequence of the growing professionalization within the third sector [61]. This trend will necessarily be stressed in Italy due to the third sector reform, which requires the publication of financial and/or social statements. The research seeks to provide an empirical analysis of the current state of transparency among the largest Italian NPOs and discuss the natural trend that transparency standards have followed even in the absence of mandatory requirements for financial statements. According to our results, financial and nonfinancial information are significantly important for these entities and their stakeholders. The increase in financial transparency between 2013 and 2017 can also be seen to be limited, as many "future" ETSs were already using the most important technical instruments to engage in a dialogue over transparency with their stakeholders. Even a limited increase, however, is an important indicator of attention to transparency and accountability. It is possible that donors think that relevant NPOs are *de facto* obliged to share their financial data and performance, as the multitude of resources such NPOs have to manage imply that they have to share details on their output and outcome. This paper illustrates the specific Italian scenario to investigate whether financial transparency truly represents a tool to create dialogue with donors and the community or is simply a necessary instrument to justify the permitted fiscal and legal advantages. It should be noted that the examined entities already serve as a benchmark in the local context. The paper highlights that the increase (or decrease) in financial transparency affects donations very limitedly. It can be assumed that large NPOs have already reached the level of transparency required or expected by stakeholders. It is thus possible that donors do not address the lack of clarity seen in the available financial documentation and, in general terms, are satisfied with the provided disclosure. Therefore, it is not possible to state that a higher qualitative level of financial transparency is "the" reason for more significant donations. It is more reasonable to affirm that the quality of financial data contributes to the level of donations. On the other hand, stakeholders seem to be more sensitive to NPOs' advertising of their brand.

The enactment of the Code of the Third Sector forces academia to examine whether third-sector reform should be geared towards a business model that can enhance the level of donations in order to better understand NPOs' future development and express some consequential considerations about the expected evolution. Second, the Italian database on the recipients of the 0.5% contribution scheme now allows for observation of changes in the behavior of taxpayers, the quality of donors, and the financial transparency of organizations. Last, there is a gap in the literature about the evolution of financial transparency and donations over time, which can be addressed by investigations such as this one.

This study presents inescapable limitations. First, the research has been based on financial statements' information. Currently, there is neither a mandatory format for the presentation of financial statements nor mandatory accounting standards. The adoption of best practices should guarantee a general standardization and an adequate level of comparability, even if the level of uniformity is not absolute. It has been assumed that potential distortions do not invalidate the obtained results. Another limitation concerns the difficulty of generalizing the information obtained to the whole third sector system operating in Italy. This type of study is only possible due to data that are publicly available. Today, there is no mandatory requirement for NPOs to publish their financial or social data. Transparency is based on the willingness of the examined NPOs to voluntarily provide stakeholders with information.

This study would not have been possible if it had considered solely small NPOs because they rely on a lower number of stakeholders than do large NPOs to support their organizations [65, 11]. Future research will surely focus on small NPOs, as the third-sector reform will have a larger impact on them in terms of transparency. This probably will support an even higher level of donations.

It is important to highlight that the research investigates the correlation between financial transparency and the donations provide thank to the 0.5% scheme. The paper does not examine the causation between the investigated variables. This could be a stimulus to future research on this subject.

Finally, it would be interesting to analyze the process of best practice implementation by large NPOs and ongoing practices related to the third-sector reform to see if fundraising expenses affect donation amounts.

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