

The Effectiveness of Accounting Regulation for Social Welfare
Corporations in Japan: Evidence by Survey Research

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Abstract

Social welfare services are becoming increasingly important in a ‘super-aging’ Japan. The Basic Structural Reform of Social Welfare was implemented in 1997, and this reform promulgated the Long-Term Care Insurance Law and modified social welfare services. Although the objective of accounting regulation for social welfare corporations has been changed from reporting to internal control to outside parties, only a few studies have focused on the effectiveness of the new accounting regulation. Therefore, this study seeks to elucidate the effectiveness of accounting regulation for social welfare corporations in Japan. This study uses the results of 250 questionnaires distributed among managers in social welfare corporations. We find that approximately 81.2% of the surveyed corporations use websites and 74.4% publish PR (public relations) information to disseminate financial information, which indicates that managers are aware of the requirement to furnish financial information for outside parties. However, we find that only 16% of the corporations publish annual reports and only 18% provide financial statements on their websites. Moreover, managers of social welfare corporations use financial statements to make managerial decisions and to explain their financial situation to the board of directors and employees. These results suggest that accounting information, instead of being used for external reporting as stipulated by accounting regulation, is primarily used for internal control, thereby indicating that accounting regulation is not effective in social welfare corporations.

1. Background

Japan's 'super-aging society' has led to higher demand for social welfare. The National Council for Social Security (subcommittee security services, 2008) expects medical costs and long-term care costs to double during 2007–2025. Social welfare services have become important; however, the basic framework of social welfare (termed 'Sochi-seido') has remained the same since 1951. Although this framework enables the government to allocate social resources to individuals with different demands, this framework suffers from structural problems (i.e. social welfare corporations have been unable to improve their efficiency and the quality of their services). Thus, based on market principles, the Basic Structural Reform of Social Welfare was implemented in 1997, and this reform promulgated the Long-Term Care Insurance Law and modified social welfare services. Before the reform, the system lacked a user-oriented perspective, which was always criticised. Thus, one objective of this reform was to establish an equal relationship between users and service providers.

The reform had a significant impact on social welfare corporations [1] (refer to Figure 1). Before the reform, social welfare corporations functioned as entrusted service providers and they waited for users to approach them. The government was the primary holder of the 'sochi' (welfare) and held the right to decide how many service providers could be entrusted to administer welfare programs for users. After the reform (known as 'Riyo-seido'), users were permitted to select the appropriate social welfare corporations themselves. In the other words, the social welfare corporations had to attract users by providing efficient welfare services and improving the quality of their services.

[Figure 1. about here]

As part of the reform, the Ministry of Health, Labour, and Welfare implemented accounting standards for social welfare corporations in 2000, and these accounting standards were modified subsequently. New accounting standards for social welfare corporations were promulgated in 2010. Until 2000, social welfare corporations had to comply with only the accounting code of regulations, and the corporations had to report their operating status to the state governments and the municipalities. Since 2000, however, the objective of such accounting standards for social welfare corporations has been revised, and now, these corporations are required to report their operating status to external parties such as service users, donors, and citizens.

Despite such changes, thus far, only a few studies have focused on the effectiveness

of accounting regulation [2] for social welfare corporations because most researchers tend to focus on business firms. However, the reporting of Long-Term Care Projects in 2010 has estimated the size of the social welfare and nursing care markets at 7 trillion yen. Social welfare has attracted the attention of the Japanese society, thereby necessitating empirical research for social welfare corporations. Therefore, among these previous studies on this subject, Suzuki (2004, p. 72) suggests that there is a paucity of studies, especially empirical studies, focusing on the social welfare market. It is necessary to conduct research based on empirical approach in not-for-profit organizations [3].

This study aims to elucidate the effectiveness of accounting regulation for social welfare corporations in Japan. To accomplish this aim, a questionnaire survey was conducted and the responses of 256 managers were studied. As a part of this survey, six social welfare corporations in the Kansai region were considered. The survey questionnaire was sent to 936 managers of social welfare corporations in Osaka, Japan, to investigate the current situation and problems concerning accounting regulation. Through their responses, this paper aims to verify whether accounting regulation functions effectively in social welfare organisations.

Whilst providing a test of effectiveness of accounting regulation on social welfare corporations, this study makes two important implications. First, it contributes to the understanding of the role of information disclosure in not-for-profit organizations. Recent research on not-for-profit organizations has focused on enhancing accountability because of numerous highly publicized scandals and accusations of mismanagement of resources. The results of this study support the requirement for an accountability mechanism. Second, because of its focus on social welfare corporations in Japan, the results of this study have significance for accounting regulation on not-for-profit organizations in other countries. Japan's 'super-aging society' is a forerunner of other countries', especially in Asia. Japan's experience should contribute to the development of accounting regulations in other countries.

[Table 1. about here]

This paper is divided into six sections. Section 2 presents a literature review of the previous research on accounting regulation for social welfare corporations in Japan and the effectiveness of this regulation. Section 3 discusses the results of the interviews conducted at the six social welfare corporations in Osaka for elucidating the survey items. Section 4 explains the survey research methodology. Section 5 provides the

findings, followed by a discussion. Finally, section 6 presents the conclusion and discusses the problems that still need to be resolved.

2. Literature review

This study uses ‘effectiveness’ as a key concept. In this section, previous studies that have investigated the concept of ‘effectiveness’ have been reviewed. After reviewing this concept, some leading research studies on social welfare corporations from industry groups of social welfare and researchers in Japan have been discussed, with a special focus on the method of evaluating effectiveness. Moreover, we review several studies for the disclosure of not-for-profit organizations because recently social welfare corporation should disclose their internal information to outsiders, which is important to test the effectiveness of the accounting regulation. Through the concept of effectiveness, we could verify whether accounting regulation works effectively.

2.1 Literature review of ‘effectiveness’

According to Anthony and Young (2002, p. 12), effectiveness is ‘the relationship between a responsibility centre and its objectives’ and ‘the more its outputs contribute to its objectives, the more effective a responsibility centre is’. A responsibility centre establishes an organisational network and management control structure, has one or more objectives, and generates outputs from inputs such as labour, raw materials, and cost. Although this study focuses on the evaluation of a responsibility centre and not on accounting regulation, the effectiveness concept is important in the field of accounting.

Moreover, Anthony and Young (2002, p. 619) stated that ‘the outputs of such organisations are difficult or impossible to measure’. It is difficult to measure effectiveness in a non-profit organisation because the concept of outputs is diverse and difficult to measure. Similar to this, Matsuo (2010) suggested that the concept of outputs has not been well defined by many researchers. Furthermore, previous studies show that the concept of performance measurement, including the concept of effectiveness, can be divided into two concepts: output and outcome. Output is a term that indicates the quantity of goods and services produced and outcome indicates the qualitative results provided to service users.

[Figure 2. about here]

Figure 2 shows the measurement of performance indicators, which is represented by the flow from input to outcome (Cutt and Murray, 2000; Poister, 2003; Yamaya, 2006).

In accounting regulation, input could be regarded as the cost incurred by each corporation for creating accounting standards and preparing financial statements. Process could include day-to-day bookkeeping, settlement of accounts, and preparation of financial statements by accountants. Output could include the published financial statements and the number of such statements. Outcome depends on the objectives, because the concept of outcome refers to the result with respect to the goal. The remainder of this paper focuses on output and outcome to evaluate the effectiveness of accounting regulation.

2.2. Overview of accounting regulation of social welfare corporations in Japan

In sochi-seido, social welfare corporations were asked to report their activity only to the government at the end of the accounting period. Meanwhile, these corporations provided social welfare services as an entrusted service provider and received revenue to entrust sochi. However, after the Basic Structural Reform of Social Welfare, the circumstances changed dramatically.

In 1998, the Basic Structural Reform of Social Welfare (Interim Report) permitted users to select welfare services, and thus, it was necessary to establish a system to protect people who did not have the ability to make decisions independently. Therefore, besides management disclosures and providing welfare services information, it was necessary to establish accounting standards and introduce the evaluation of services by third-party technical organisations. Moreover, the Institution of Management Research on Social Welfare Corporations (2006) enabled direct social welfare management in the new era. According to its suggestions, information disclosure to outsiders was necessary to establish organisational governance [4] and improve management skills. They expected such information disclosure to yield two results: first, organisations could develop a good reputation in society by discharging the accountability of the managerial activities and financial conditions through their website and by publishing PR information; second, information users could select appropriate social faculties themselves.

In fact, accounting procedures of social welfare corporations were mandated in 1953 to clarify the financial condition and operational results of corporations. Subsequently, an accounting code of regulations for social welfare corporations was established to emphasize stewardship from the governments. The accounting standard of social welfare corporations, which was promulgated in 2000 under the influence of structural reform of social welfare, however, was introduced to help meet the accountability requirements of numerous stakeholders. The aim of this accounting standard was to

contribute to 'accurate management status' and 'efficient management'.

Recently, a new accounting standard for social welfare corporations was introduced in 2010. This new standard added two more objectives to the old standards: First, multiple accounting standards were integrated into one accounting standard. Until then, independent accounting standards of social welfare were set for each industry, such as accounting standards for vocational facilities, employment support, and long-term care health facilities. It was difficult for financial statement providers to determine which standard to use. Second, the new standard provided comprehensive information to users and citizens. The multiple accounting standards had created confusion among accounting information users. A combination of the old and new accounting standards were expected to produce an output with comprehensive accounting information.

Overall, based on the above discussion, the outcome of accounting regulation had two objectives: first, implementing management in an efficient manner, and second, providing comprehensive accounting information, which includes providing an accurate managerial status and financial condition of the organisation to its stakeholders.

2.3 Literature review of 'the role of the disclosure in not-for-profit organizations'

If the managers of social welfare corporations are to provide accounting information to their stakeholders, it is necessary to clarify the proper role of such information. In the case of for-profit organizations, Healy and Palepu (2001) enumerate six forces affecting managers' disclosures to the capital market: corporate control challenges, stock compensation, litigation, proprietary costs, capital market transactions and management talent signalling (p. 420). In the case of not-for-profit organizations, which do not have access to a capital market, decisions are more complicated because they have more stakeholders. The prior research on not-for-profit disclosure can be categorized as studying one of two dimensions: the realities and the determinants.

In one of the several studies of the realities of not-for-profit disclosure, Gandía (2011) examines the impact of the Internet on transparency in not-for-profit organizations. The study shows that the decision of a not-for-profit in preparing its website follows one of three strategies: the ornamental web presence, the informational web presence, and the relational web presence. It displays empirical evidence showing that Spanish not-for-profit websites are conceived as primarily ornamental and that they evolve over time toward a more informational and relational purpose.

Saxton and Guo (2011) investigate two key dimensions of online accountability practices: disclosure and dialogue. Their descriptive statistics show that the website has

been used more effectively as a means of disclosure than as a dialogic mechanism. We can see that it is important for not-for-profit organizations' accountability to disclose their information by using the Internet.

Second, there are several research studies seeking to reveal the determinants of not-for-profit disclosure. Behn et al. (2010) test an exploratory model on what prompts the 300 largest U.S. non-profit organizations to respond to mail requests for audited financial statements. They find that debt, contribution ratios, size and executive compensation ratios are related to the decision to disclose audited financial statements. Similarly, Saxton and Guo (2011) construct a model of the determinants of online disclosure practices of U.S. community foundations. Their model includes four generic factors: strategy, capacity, governance and environment. Using this model, Saxton *et al.* (2012) find that voluntary disclosure is more likely in organizations that have lower debt/asset ratios (strategy factor), are smaller (capacity factor) and are run by larger boards with more inside members (governance factor).

3. Discussion of the survey items for interviews conducted at six social welfare corporations in Japan

This section explains the survey items included in the questionnaire used in the interviews conducted at six social welfare corporations. Moreover, this section describes the interview research design and discusses the results of the interviews and survey items.

3.1. Overview of the interview research design

We conducted semi-structured interviews to elucidate the survey items and obtain appropriate responses for particular questions. The interviews included questions such as 'To whom and why was the accounting information disclosed?' and 'What achievements were seen after using accounting information?' The first question attempts to identify the users of accounting information and the objectives of using accounting information. The second question attempts to evaluate the two outcomes, which are to implement management efficiently and to provide comprehensive accounting information.

The interviewed corporations were selected based on size and history. We assumed that the larger the corporation or the longer the corporation's history, the higher the number of stakeholders involved. The three main domains, welfare for children, the elderly, and disabled people, were controlled by selecting two of the three domains.

Thus, board chairman, directors, and managers from six social welfare corporations in the Kansai region were selected (refer to Table 2). Before conducting the interviews, we undertook the following activities to enable the organisations to participate comfortably in the interviews: (1) explained the purpose and method of the interview, (2) promised not to use the interview results for purposes other than research, (3) promised anonymity and confidentiality, and (4) gave them our contact information. The interviews were conducted between January and February 2012.

[Table 2. about here]

3.2. Results and discussion on survey items

Table 3 summarizes the responses obtained for the two questions used for the interview and presents the results of this interview. These results are divided into three columns: objectives of providing the accounting information, users of accounting information, and achievements after providing accounting information. The purpose of this interview was to identify survey items, and thus, it summarizes the contents of the story as the items. The results of the interview have also been described. The detailed content of the interviews and results from these were published in a study conducted by Kuroki (2012).

The various responses to the first question regarding the objectives of accounting information could be classified into seven types. The first objective of accounting information is to facilitate management control: financial management, understanding financial stability, and marginal decision making. The second objective is compliance. If scandals occur in not-for-profit organisations, the legal entity would suffer; therefore, compliance a very important factor for not-for-profit organisations. The third and fourth objectives are to seek donations and bank loans, respectively. Accounting information plays an important role in these cases owing its influence on fund-raising activities. The fifth is to provide accounting information to information users, including current service users and potential service users. The sixth is to provide accounting information for audit purposes. According to the law, social welfare corporations should comply with audit requests by the government and internal audits should be held annually. Finally, the seventh objective is to improve transparency within the organisation and improve the organization's reputation. Regulations frequently use the words 'transparency' and 'reputation'. The responses to the second question regarding who the accounting information disclosed to can be summarised into nine stakeholders: trustees, managers, employees, banks, donors, users, auditors,

governments, and citizens.

[Table 3. about here]

The final question explored the benefits of using accounting information. The benefits of using accounting information were largely based on the objectives and this information was beneficial only for some users. In particular, accounting information is not useful for potential users, donors, and banks because these parties are seeking some other information. For example, users and donors need output or outcome information of welfare services. Thus, it is difficult for them to use information regarding transparency and reputation because such information is rather ambiguous.

4. Research design

4.1. Survey design and delivery

The survey design was constructed on the basis of the information provided in the prior research and the result of interview. We developed the initial survey instrument and solicited feedback from several academic researchers, parties of Osaka Prefecture Council of Social Welfare, and practitioners in social welfare. The final survey questionnaire, which was five pages long, comprised mainly two types of questions: basic information items and survey items.

➤ Basic information items

- (1) Strategy
- (2) Growth opportunity
- (3) History of establishment
- (4) Organisation size
- (5) Employee satisfaction
- (6) Board size
- (7) Industry

➤ Survey items

- (1) The situation of disclosure of accounting information and annual report on the homepage (HP) and PR information (selection and free description).
- (2) Objectives of using accounting information and the parties to whom accounting information is disclosed (selection and free description):

(1) to provide information to board members, (2) to make management decisions, (3) to report to the administrator, (4) to explain to employees, (5) to provide useful information to current service users, (6) to acquire new service users, (7) to borrow funds from banking facilities, (8) to raise donation, (9) to ensure accountability to the public and citizens, and (10) others.

The survey considered the conditioning effects of financial reporting practices as basic information items (used in prior research). This questionnaire collected information on key characteristics such as strategy (vision of the future, and medium-term and long-term planning), growth opportunities (new operating development), organisation size (number of employees), AGE (history of establishment), employee satisfaction (average years of service), board size (number of board of directors), PAA (experience of professional accounting audit) and industry (nursing care business and medical cooperation).

Next, survey items were comprised two questions: objectives of using accounting information and the parties to whom accounting information is disclosed. Based on the literature review, the former question focuses on the homepage and the published PR information, and the latter focuses on the categories of users to whom accounting information is disclosed.

We contacted the board members and directors of the social welfare corporations in Osaka Prefecture between 10 October and 24 October 2010. We sent a total of 936 mails on December 17 (Monday) and received a total 256 replies, that is, a reply rate of 27.4%. Prior research on commercial enterprises [5] indicates that a reply rate of approximately 10% is considered satisfactory (Graham and Harvey, 2001; Graham *et al.*, 2005; Suda and Hanaeda, 2008). There are six samples including insufficient survey items. After excluding them, the final sample is 250.

Table 4 presents the locations of the corporations. Social welfare corporations are governed by three types of local governments: core cities, government-ordinance-designated cities, and states [6]. The number of responses (141) and the response rate (30.3%) in Osaka Prefecture was the highest, because the Osaka Prefecture Council of Social Welfare was actively seeking a solution.

[Table 4. about here]

4.2. Summary statistics and data issues

Table 5 presents the basic information items of the sample corporations.

[Table 5. about here]

In particular, contrary to our expectations, a few corporations (26.8%) had a vision for the future, and many corporations (45.2%) had medium-term and long-term plans but 46.4% of the surveyed corporations want to start new investment development. Approximately half of the organisations (54%) were small and had less than 25 employees and 30.4% of the organisations had 26–75 employees. Moreover, 34.8% of the corporations were established after 2000. Employee satisfaction was calculated on the basis of average years of service. Surprisingly, most of the employees (80.0%) resigned within ten years of being hired. 69.2% of the corporations had approximately 6 or 7 board members. In addition, 24.8% of the corporations have experienced professional accounting audit. Finally, many corporations (40.4%) had a nursing care business and approximately half of them (44.4%) cooperated with medical organisations.

5. Results and discussion

5.1. Situation of accounting information disclosure

Table 6 represents the situation of information disclosure. Many social welfare corporations use websites (81.2%) and publish PR information (74.4%). However, annual reports and accounting information are not posted on the HP. Thus, managers' awareness regarding the reporting of their financial situation on the HPs of their company websites to outsiders was limited.

[Table 6. about here]

We also analysed the survey responses with respect to the basic information on characteristics discussed in Section 4.2. We obtained two samples based on the basic information: (1) strategy, PAA and industry are simply 'yes' or 'no' responses; (2) growth opportunities are either positive or negative; (3) selection criteria for the organization size is more than 25 employees; (4) the year of establishment is the year 2000, because social welfare law was introduced that year; (5) selection criteria for employee satisfaction is lesser than 5; and (6) selection criteria for board size is 6. Because of more common, (3), (5) and (6) are selection criteria.

Table 7 indicates the factors of aggressive accounting information disclosure, which

is provided by the question regarding posting accounting information on the HP (comprising 'yes' or 'no' responses). This study use a series of chi-square tests to see whether there are significant differences between not-for-profits that post accounting information on the HP and basic items. Based on the results of the chi-square tests, there are significant differences between disclosing on the HP and non-disclosing on the HP in the terms of SIZE, AGE, employ satisfaction, board size and PAA, which indicate the different significant at less than 5% level. These results might mean that it is important for not-for-profits to have more organizational capacity and governance when they disclose accounting information on the HP.

[Table 7. about here]

5.2. Objectives of accounting information

Next, we explore the accounting objectives and to whom accounting information is disclosed. The answers of these questions have been summarised in Figure 3. First, most of the objectives are targeted at trustees (89.2%) and are used for management decisions (66.4%). This result suggests that most of the accounting users are trustees and managers. Second, half of the managers use accounting information to ensure accountability to their employees and users of their services. Third, few corporations use accounting information for fund-raising activities such as donations (5.2%) or potential customer acquisition (8.4%). Only a few corporations (33.6%) disclose information to the public and citizens. This implies that the regulations may have changed since 2000; however, the implementation of the regulation remains unsatisfactory.

[Figure 3. about here]

Table 8 shows the conditional analysis between the objectives of accounting information and the basic items. Any individual who answered 'yes' to any question on accounting information being used for fund-raising activities, potential customer acquisition, and information dissemination to the public and citizens is defined as 'external'. We find that accounting information disclosure for external parties is relatively more important in corporations that and are more willing to invest new programs, have bigger board size, experience professional accountant audit, which indicate the different significant at less than 5% level. These results are in keeping with the evidence provided in Section 5.1, which suggests a positive relationship between

accounting information disclosure on HP and strategy or governance. However, despite these results, Table 8 does not reveal a positive relationship between the objectives of accounting information and organizational capacity, which relate organizational size, AGE and employee satisfaction. These results suggest that if managers of social welfare corporations want to disclose accounting information to outsiders, managers might not feel that it is importance for them to have organizational capacity, but having organizational capacity might be very important to post accounting information on the HP. Furthermore, the other items (organisation size and satisfaction) have no distinct pattern.

[Table 8. about here]

6. Conclusion

This paper aimed to elucidate the effectiveness of accounting information on social welfare corporations in Japan. By conducting a questionnaire survey that was answered by 256 managers in social welfare corporations in Osaka, Japan, we found that many corporations use their website HP (81.2%) and PR information (71.4%) to publish financial information; however, very few corporations published annual reports (16%) and financial statements (18%) on the HP. This study also elucidates that managers in social welfare corporations use financial statements to make managerial decisions and to explain their decisions and the financial situation to the board of directors and employees. These results imply that accounting information is primarily used for internal control instead of accountability and external reporting. Furthermore, it indicates that accounting regulation may not be effective in social welfare corporations. Therefore, policy makers should reconsider the objectives of accounting regulation in these corporations; in particular, the objective of external reporting for users does not work as effectively as expected.

Then, this study shows the conditional analysis of disclosure on the HP and the objectives of accounting information, against these and other factors. After these analyses, they found that accounting information disclosure on the HP or for external parties is relatively more important in corporations that are more willing to invest in new programs, have bigger boards, and undergo a professional audit. Based on these results, it might be desirable for policy-makers to steer social welfare corporations, in particular those willing to invest in new programs, toward the capacity and governance factors that may be most amenable to accounting regulation.

This study, however, has some data limitations. Although over 250 managers in

Osaka were considered in this study, this is insufficient. Future studies should consider conducting a nationwide survey. Moreover, this research does not provide any alternatives for policy makers. It is important to examine the accountability of social welfare corporations in detail. This issue can also be extended to other non-profit sectors such as medical, education, and museums.

Figures and Tables

Figure 1. Social welfare system in Japan (Ministry of Health and Welfare, 1999)

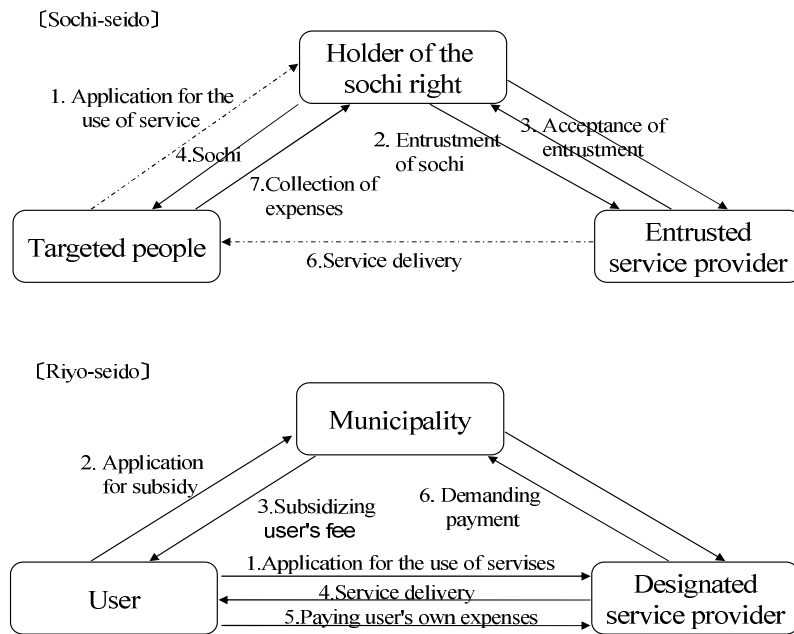


Figure 2. Measurement of performance indicators

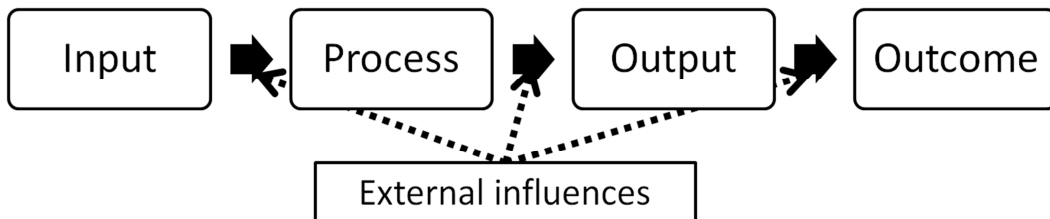


Figure 3. Objectives of accounting information

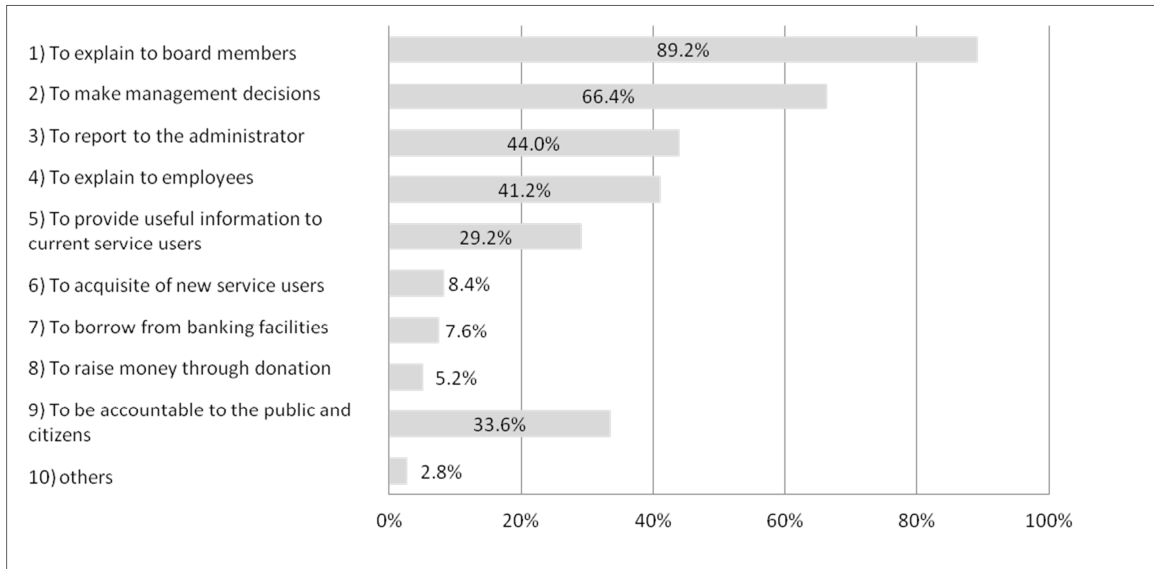


Table 1. The purpose and methodology in this paper

	Purpose	Methodology
Section 3	➤ To clarify survey items	Interviewed six corporations
Section 4	➤ To clarify the accountability consciousness of social welfare corporations	Survey research for approximately 1,000 social welfare corporations in Osaka, Japan

Table 2. The interviewed corporations

Main domain	Designation	Location	Size	Year of establishment
A Child welfare	Director	Osaka	5 facilities	1950s
B Child welfare	Director	Osaka	6 facilities	1980s
C Welfare for the elderly	Board chairman	Osaka, Hyogo, Nara	4 facilities	1970s
D Welfare for the elderly	Manager	Osaka	Many facilities	1910s
E Welfare for disabled people	Director	Osaka	Many facilities	1980s
F Welfare for disabled people	Board chairman	Kyoto	Many facilities	1960s

Table 3. Responses from the interviews with six corporations

	Objectives	Users	Benefits
A	<ul style="list-style-type: none"> ➤ Financial management ➤ Seeking donation ➤ Seeking bank loans 	<ul style="list-style-type: none"> ➤ Trustee ➤ Manager ➤ Employee ➤ Bank ➤ Donor ➤ Citizen 	<ul style="list-style-type: none"> ➤ To improve staff motivation ➤ To facilitate the financial management of the organisation
B	<ul style="list-style-type: none"> ➤ Understanding of the financial stability ➤ Compliance ➤ Improve transparency (reputation) ➤ Public offering 	<ul style="list-style-type: none"> ➤ Trustee ➤ Manager ➤ Citizen ➤ Government 	<ul style="list-style-type: none"> ➤ To fulfil its obligations with respect to laws and regulations ➤ To disclose financial information on the website's Homepage to improve transparency ➤ To obtain advantages of a proposed public offering
C	<ul style="list-style-type: none"> ➤ Marginal decision making ➤ Public offering 	<ul style="list-style-type: none"> ➤ Trustee ➤ Manager ➤ Government 	<ul style="list-style-type: none"> ➤ To use only for making management decisions ➤ To obtain advantages of a proposed public offering
D	<ul style="list-style-type: none"> ➤ Compliance ➤ Improve transparency (reputation) 	<ul style="list-style-type: none"> ➤ Manager ➤ Citizen 	<ul style="list-style-type: none"> ➤ To promote transparency
E	<ul style="list-style-type: none"> ➤ Marginal decision making ➤ Improve transparency (reputation) 	<ul style="list-style-type: none"> ➤ Trustee ➤ Manager ➤ Citizen 	<ul style="list-style-type: none"> ➤ To use in management decision making and for the corporation as a whole; to set the target amount of retained earnings ➤ To improve reputation through financial reporting on the website's Homepage
F	<ul style="list-style-type: none"> ➤ Reputation ➤ Audit ➤ Disclose for users 	<ul style="list-style-type: none"> ➤ Citizen ➤ Auditor ➤ User 	<ul style="list-style-type: none"> ➤ To use while conducting audits ➤ To improve reputation by promoting transparency ➤ To disclose financial information to users through mediums such as newsletters

Table 4. Number of questionnaires distributed in Osaka

	Osaka Prefecture		Osaka City		Sakai City		Core City		Others		Total	
	N	%	N	%	N	%	N	%	N	%	N	%
Answer	141	30.3	52	22.5	31	30.7	10	14.9	22	30.6	256	27.4
No answer	324	69.7	179	77.5	70	69.3	57	85.1	50	69.4	680	72.6
Total	465	100.0	231	100.0	101	100.0	67	100.0	72	100.0	936	100.0

Table 5. Demographic characteristics of the survey participants

	N	(%)		N	(%)
<i>Vision of the future</i>			<i>Average years of service</i>		
Yes	67	26.8%	≤5Y	67	26.8%
No	168	67.2%	6-10 Y	133	53.2%
No data	15	6.0%	11-15 Y	27	10.8%
Total	250	100.0%	16-20 Y	7	2.8%
			≥21 Y	1	0.4%
<i>Medium-and long-term planning</i>			No answer	15	6.0%
Yes	113	45.2%	Total	250	100.0%
No	118	47.2%	<i>Number of board of directors</i>		
No answer	19	7.6%	6	114	45.6%
Total	250	100.0%	7	59	23.6%
<i>New investment development</i>			8	21	8.4%
Positive	116	46.4%	9	13	5.2%
Status quo	79	31.6%	10	12	4.8%
No idea	49	19.6%	11	4	1.6%
No answer	6	2.4%	12	4	1.6%
Total	250	100.0%	13	3	1.2%
			14	0	0.0%
<i>History of establishment</i>			15	9	3.6%
≤1950	6	2.4%	≥16	7	2.8%
1951-60	20	8.0%	No answer	4	1.6%
1961-70	15	6.0%	Total	250	100.0%
1971-80	50	20.0%	<i>Professional Accounting Audit</i>		
1981-90	25	10.0%	Yes	62	24.8%
1991-2000	37	14.8%	No	185	74.0%
2000-2010	81	32.4%	No answer	3	1.2%
≥2011	6	2.4%	Total	250	100.0%
No answer	10	4.0%	<i>Industry</i>		
Total	250	100.0%	Some nursing care business	101	40.4%
<i>Number of employees</i>			No nursing care business	149	59.6%
≤25	135	54.0%	Total	250	100.0%
26-50	48	19.2%	<i>Medical cooperation</i>		
51-75	28	11.2%	Belong to a medical group	12	4.8%
76-100	6	2.4%	Some medical cooperation	99	39.6%
101-125	11	4.4%	No medical cooperation	132	52.8%
126-150	5	2.0%	No answer	7	2.8%
151-175	3	1.2%	Total	250	100.0%
176-200	1	0.4%	<i>Annual report on HP</i>		
≥200	8	3.2%	Yes	40	16.0%
No answer	5	2.0%	No	210	84.0%
Total	250	100.0%	<i>Accounting information on HP</i>		
			Yes	45	18.0%
			No	205	82.0%

Note: n = 250. Although this table includes 'no' answer samples, 'no' answer samples are excluded in the next table.

Table 6. Situation of accounting information disclosure

<i>Utilising website</i>	N	(%)	<i>Publishing PR information</i>	N	(%)
Yes	203	81.2%	Yes	186	74.4%
No	47	18.8%	No	64	25.6%
<i>Annual report on HP</i>			<i>Accounting information on HP</i>		
Yes	40	16.0%	Yes	45	18.0%
No	210	84.0%	No	205	82.0%

Table 7. Accounting information on HP and basic items

	Strategy 1				Strategy 2 *				Investment				Org. Size ***			
	YES	(%)	NO	(%)	YES	(%)	NO	(%)	Positive	(%)	other	(%)	≥25	(%)	<25	(%)
YES	13	19.4	29	17.3	26	23.0	16	13.6	25	21.6	19	14.8	31	27.9	31	20.1
NO	54	80.6	139	82.7	87	77.0	102	86.4	91	78.4	109	85.2	80	72.1	123	79.9
	AGE **				Employee Satisfaction **				Board size ***				PAA **			
	≥2000	(%)	<2000	(%)	6-10Y	(%)	≤5Y	(%)	>6	(%)	=6	(%)	YES	(%)	NO	(%)
YES	9	10.3	34	22.2	25	15.2	19	23.8	34	25.2	11	9.6	18	29.0	26	14.1
NO	78	89.7	119	77.8	139	84.8	61	76.2	101	74.8	103	90.4	44	71.0	159	85.9
	Industry 1 (Nursing)				Industry 2 (Medical)											
	Yes	(%)	No	(%)	Yes	(%)	No	(%)								
YES	20	21.7	25	15.8	19	17.0	26	19.7								
NO	72	78.3	133	84.2	93	83.0	106	80.3								

Note: This table presents a comparison of the percentage of respondents indicating accounting information disclosure on the HP when the sample is split by various firm characteristics. 'No answer' samples are excluded on each indicator. The asterisks next to the variable names indicate significance by chi-square test: *** 1%, *** 5% and * 10%. These characteristics are: having vision or not (Strategy 1), having medium-term or long-term plans or not (Strategy 2), willingness to invest (Investment), the number of employees (Org. size), history of establishment (AGE), average years of service (Employee Satisfaction), the number of directors on the board (Board size), professional accountant audit (PAA), nursing business or not (Industry 1), cooperation with medical organisations (Industry 2).

Table 8. Objectives of accounting information and basic items

	Strategy 1				Strategy 2 *				Investment **				Org. Size *			
	YES	(%)	NO	(%)	YES	(%)	NO	(%)	Positive	(%)	other	(%)	≥25	(%)	<25	(%)
YES	41	61.2	91	54.2	45	39.8	59	50.0	72	62.1	61	47.7	73	54.1	63	56.8
NO	26	38.8	77	45.8	68	60.2	59	50.0	44	37.9	67	52.3	62	45.9	48	43.6
	AGE				Employee Satisfaction				Board size ***				PAA **			
	≥2000	(%)	<2000	(%)	6-10Y	(%)	≤5Y	(%)	>6	(%)	=6	(%)	YES	(%)	NO	(%)
YES	49	56.3	83	54.2	95	57.1	35	52.2	84	61.4	52	45.6	41	66.1	94	51.0
NO	38	43.7	70	45.8	74	42.9	32	47.8	51	38.6	62	54.4	21	33.9	91	49.0
	Industry 1 (Nursing)				Industry 2 (Medical)											
	Yes	(%)	No	(%)	Yes	(%)	No	(%)								
YES	48	52.2	89	56.3	59	52.2	76	57.6								
NO	44	47.8	69	43.7	53	47.8	56	42.4								

Note: This table presents the conditional analysis between objectives of accounting information and basic items. Individuals who answer 'yes' to any question on accounting information being used for fund-raising activities, potential customer acquisition, or information dissemination to the public and citizens are defined as 'external'. 'No answer' samples have been excluded for each indicator. The asterisks next to the variable names indicate significance by chi-square test: *** 1%, *** 5% and * 10%. These characteristics are: having vision or not (Strategy 1), having medium-term or long-term plans or not (Strategy 2), willingness to invest (Investment), the number of employees (Org. size), history of establishment (AGE), average years of service (Employee Satisfaction), the number of directors on the board (Board size), professional accountant audit (PAA), nursing business or not (Industry 1), cooperation with medical organisations (Industry 2).

Notes

[1] According to the Survey for Social Welfare Institutions, 2010, which was published by the Ministry of Health, Labour, and Welfare, social welfare corporations accounted for 45% of the total social welfare service delivery. Approximately 75% of the welfare facilities are for the elderly and over 80% of the facilities are dedicated to disabled people. Therefore, social welfare corporations provide welfare service to many people.

[2] In this paper, the meaning of accounting regulation is assumed to include accounting standards and accounting code of regulations because we emphasise the government-controlled regulations.

[3] Hansmann (1980) suggests that not-for-profit organizations are all characterized by the fact that they are subject to a non-distribution constraint that prohibits the distribution of residual earnings to individuals who exercise control over the firm. Based on Hansmann (1980), social welfare corporations in Japan are comprised in it. Parsons (2003) has pointed out the need for empirical research in the area of not-for-profit organization.

[4] Accounting information disclosure on social welfare corporations aims to establish organisational governance.

[5] This is because this research has been undertaken in collaboration with the Osaka Prefecture Council of Social Welfare.

[6] The population of core cities is over 300,000 and that of government-ordinance-designated cities is over 500,000. Moreover, corporations in the other municipalities are governed by the state.

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