

**ECONOMETRICS
WORKSHOP**

**“The Effects of Nonprofit Overhead on
Financial Success and Survival”**

Speaker: Dr. Joseph Stinn, Miami University



Overhead expenditures are a divisive topic in the nonprofit sector. These expenditures are vital to the operational abilities of a nonprofit; however, there is evidence that many donors dislike paying for overhead costs. In this paper, we use financial data of U.S. nonprofits from the National Center for Charitable Statistics (NCCS) to study the impact of overhead on the growth and survival of nonprofit organizations. We use financial data to test opposing hypotheses of how overhead expenditures can affect the success of nonprofit organizations. For measures of success, we look at changes in contributions and assets and the survival rates of nonprofit organizations from 2007 to 2013. Using liabilities as an instrument for the ratio of overhead expenditures to total expenditures, we estimate that a 1 percent increase in the overhead ratio leads to approximately a 1.41 percent increase in contributions. We also find that a 1 percent increase in the overhead ratio is associated with approximately a 0.82 percent increased likelihood of survival. Our findings suggest that with the exception of fundraising, higher overhead ratios improve firm performance, leading to more positive outcomes for nonprofits.

DAVE Lab, Rike Hall, Friday, November 8th at 12:00 – 1:30
