The Crowding-Out Effect within Government Funding:
Implications for Within-Source Diversification

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Abstract

The benefits and risks of revenue diversification lead scholars to propose within-source diversification as a possible compromise. Although this revenue strategy sounds promising, no scholarly attention has been devoted to empirically examining it. This study explores within-source diversification across government funding, specifically whether nonprofit receipt of support from a major government funder affects support from other government funders. Using a panel dataset of U.S.-based international development nonprofits from 1995 to 2014, we find that nonprofits with more funding from the major funder are associated with significantly less funding from other funders. This crowding-out effect weakens as organization size grows. The findings imply that the within-source diversification strategy might be more desirable for larger organizations with the capacity to manage multiple funding relationships.

Keywords: revenue diversification, revenue concentration, within-source diversification, government funding
Introduction

Nonprofit organizations typically rely on multiple sources for financial support, such as government funding, individual contributions, foundation grants, and earned income. Given that each revenue source has its own benefits and risks, nonprofits are always encouraged to diversify across multiple funding sources to achieve organizational viability (Chang & Tuckman, 2010; Froelich, 1999). Indeed, a large body of literature demonstrates that revenue diversification can promote organizational health through reducing financial vulnerability and volatility (e.g., Carroll & Stater, 2009; Greenlee & Trussel, 2000; Hager, 2001; Tuckman & Chang, 1991). However, recent empirical evidence suggests that revenue diversification can be detrimental to revenue growth over time (Chikoto & Neely, 2014; Frumkin & Keating, 2011; von Schnurbein & Fritz, 2017).

Weighing the benefits and risks of revenue diversification, some scholars proposed that within-source diversification might be a good compromise (Chikoto & Neely, 2014; Foster & Fine, 2007; Salamon & Toepler, 2015). This strategy, as Chikoto and Neely (2014, p. 582) described it, refers to “first concentrating on one resource (e.g., relying on government funding) and then diversifying within the limited funding sources (e.g., by obtaining funding from different levels of government).” Literally, within-source diversification combines the benefits of both revenue diversification and concentration: nonprofits can heavily focus on a single revenue source to take advantage of economic efficiency associated with concentration, while diversifying within that single source to take advantage of risk minimization due to diversification. However, although this strategy sounds promising, to our knowledge, no scholarly attention has been devoted to empirically examining it.
The present study examines within-source diversification across government funding, specifically, whether nonprofit receipt of support from a major government funder affects support from other government funders. We argue that one initial question in considering the within-source diversification strategy is to explore the interaction between different funding streams within one funding source to make the diversification possible.¹ In this study, we analyze a twenty-year panel dataset of U.S.-based international development nonprofits and find that nonprofits with more funding from the major funder (i.e., the United States Agency for International Development, USAID) are associated with significantly less funding from other government agencies. This crowding-out effect becomes weaker as organization size grows. The tradeoff between USAID funding and other government funding implies that the within-source diversification strategy might be more desirable for larger organizations with the capacity to simultaneously manage multiple funding relationships.

**Literature Review**

Given that nonprofits usually draw revenues from various sources to support their operations, the question of how to develop an optimal revenue mix becomes a prominent one. One financial strategy that has been widely discussed by researchers and practitioners is revenue diversification. The theoretical rationale underlying revenue diversification is manifold.² For

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¹ We use *streams* to refer to different funding flows (e.g., funding from different agencies) within one funding *source* (e.g., government funding) in this manuscript.

² Refer to Kearns (2007) and Chang and Tuckman (2010) for more in-depth reviews of the theoretical foundation of revenue diversification.
example, from a resource dependence perspective, when an organization relies on a variety of funding sources, it minimizes the risk associated with dependence on any single source (Froelich, 1999). Organizational institutionalism theory suggests nonprofits with diverse funding sources are in a better position to build institutional linkages to community and increase organizational legitimacy (Bielefeld, 1992). Indeed, a robust body of literature demonstrates the favorable effect of revenue diversification on financial stability. For example, Tuckman and Chang (1991), Greenlee and Trussel (2000), and Tevel, Katz, and Brock (2015) suggested that nonprofits with diversified revenue portfolios are less vulnerable to financial shocks. Kingma (1993) and Carroll and Stater (2009) showed that revenue diversification can reduce revenue volatility. Revenue diversification thus has been widely promoted as a desired financial practice.

However, although revenue diversification seems beneficial to financial stability, a growing body of recent literature suggests that it can be detrimental to revenue growth over time (Chikoto & Neely, 2014; Lin & Wang, 2016; von Schnurbein & Fritz, 2017). Part of the reason is that nonprofits with diversified revenue portfolios suffer from simultaneously managing an array of funding sources with different characteristics, which would incur high levels of transaction costs and prevent nonprofits from efficiently managing any funding relationship (de Los Mozos, Duarte, & Ruiz, 2016; Frumkin & Keating, 2011). For example, Foster and Fine (2007) observed that high-growth nonprofits usually “raised the bulk of their money from a single type of funder such as corporations or government – and not, as conventional wisdom would recommend, by going after diverse sources of funding.” Both Chikoto and Neely (2014) and von Schnurbein and Fritz (2017) concluded revenue diversification has a significantly negative influence on long-term revenue growth. This body of literature thus urges nonprofits to consider revenue concentration should they aim for growth.
Indeed, nonprofit financial performance involves multiple dimensions and nonprofits need to concurrently manage all of these dimensions to maintain financial health (Bowman, 2011). Towards that goal, nonprofits are always under pressure to balance revenue diversification and concentration for the best financial outcomes. A possible strategy proposed in recent studies is within-source diversification. For example, Foster and Fine (2007, p. 51) wrote: “Although most [high-growth nonprofits] relied on a single source for the bulk of their funding, they did not rely on a single payer. Organizations achieved diversification and mitigated their funding risk by securing multiple payers of the same type to support their work.” Indeed, within-source diversification sounds appealing because it literally allows nonprofits to simultaneously take advantage of the economic efficiency of revenue concentration and the risk minimization of revenue diversification. In fact, although within-source diversification sounds theoretically promising, no existing studies have empirically examined it. The present study examines within-source diversification using government funding as a case.

In nonprofit scholarship and practice, nonprofit-government relations constitute a significant and complex issue (Smith & Grønbjerg, 2006). With government becoming an important funding source for the nonprofit sector, the effects of government support on nonprofit operations have attracted long-lasting attention. Although government funding offers various benefits (such as financial stability and institutional legitimacy) to help nonprofits overcome voluntary failures (Salamon, 1995), concerns also abound regarding the risks of nonprofits’ dependence on government support for their autonomy and mission (e.g., Coupet, 2018; Grønbjerg, 1993; Guo, 2007; Lee & Woronkowicz, 2018; Mosley, 2012; Smith & Lipsky, 1993). Salamon and Toepler (2015) summarized the pathological effects of government funding into four categories: (1) the potential loss of autonomy or independence, (2) managerial challenges of
contractual relationship for nonprofits (“vendorism”), (3) bureaucratization resulting from government programmatic and accounting requirements, and (4) subdued advocacy activities to maintain government funding. One way to manage these potential risks, as Salamon and Toepler (2015, p. 2170) suggested, is to “diversify the sources of governmental support by approaching multiple offices or levels of government.” Our research explores diversification across government offices, specifically, whether funding from one government agency affects funding from other government agencies.

To start, there are reasons to believe that funding from one government agency would facilitate funding flows from other agencies. From a nonprofit perspective, nonprofits having experience working with one agency would become familiar with the programmatic and accountability requirements associated with government funding. This informational advantage would better position them in the competitions for other government funding (Grønbjerg, 1993). Moreover, although securing and managing government funding is cumbersome (“bureaucratization”), nonprofits with funding from one agency may take advantage of the economies of scale in managing additional government funding. When nonprofits have adequate capacity to meet funding requirements for one agency, competing for and managing additional government funding from other agencies does not require a significant additional investment. In addition, from a funder’s perspective, nonprofits’ funding experience with one agency can act as a signal of competency and trustworthiness, since they have gone through merit-based selection processes and worked closely with funding agencies (Lu, 2016; Rose-Ackerman, 1981). Uninformed funders may thus prefer awarding funding to organizations with government funding experience.
However, nonprofits working with one government agency may also hesitate to seek additional resources from other agencies. First, nonprofits as social mission-driven actors operate in an imperfect market where profit-maximization pressures are absent, which implies that nonprofits have weaker incentives to unceasingly maximize their revenue (Hansmann, 1980; Weisbrod, 1988). Andreoni and Payne (2003, 2011) and Hughes et al. (2014) documented when nonprofits receive more government funding, they would substantially reduce their fundraising efforts toward private donations. Similarly, an increase in revenue from one government agency is likely to be associated with a decrease in other agencies. Second, and probably more importantly, diversifying within government funding does not necessarily solve all the problems associated with government funding. Although acquiring additional funding from other agencies may help minimize some risks associated with vendorism problems (e.g., payment delays, cash-flow management) and bureaucratization (due to economies of scale in managing government funding), further reliance on government funding would still suffer from, if not intensify, other risks related to loss of autonomy and decreased advocacy. In this way, nonprofits might prefer concentrating on a limited number of government funders and then pursuing additional revenue sources, rather than further diversifying within government funding.

**Data and Variables**

We explore our research question using a longitudinal dataset of USAID-registered international development nonprofits. International development organizations, in addition to independently providing charitable services to address various global humanitarian and development needs, may engage in funding relationship with the U.S. government to implement foreign assistance programs (McCleary, 2009; Stoddard, 2012). Within the U.S. foreign assistance apparatus,
USAID is the leading development agency, managing over $20 billion in annual appropriations and implementing a wide range of projects supporting humanitarian relief, economic growth, and social progress (Tarnoff, 2015). In FY 2015, USAID managed more than one third of the U.S. government’s international affairs budget (i.e., Function 150 account of the federal budget), with its activities comprising more than half of total foreign assistance (Tarnoff, 2015). In addition, over twenty other federal agencies are involved in foreign assistance, such as Departments of Agriculture, Defense, Energy, Justice, and State (Kerlin, 2006). 

To conduct humanitarian and development programs, all these agencies rely heavily on nonprofits through different financial mechanisms (U.S. Government Accountability Office, 2002). For example, in FY 2014 USAID-registered nonprofits received more than $2.6 billion in contracts and grants from USAID and more than $1.6 billion in contracts and grants from other federal agencies (USAID, 2017).

Our data come from USAID’s annual Report of Voluntary Agencies Engaged in Overseas Relief and Development (VolAg Report), which provides information on the revenue and expenditure structure of each nonprofit registered with USAID. For organizations to seek USAID funding, they must first apply to the USAID Registry, a screening process that determines eligibility to compete for USAID funding. Data from the VolAg Reports are based on the information nonprofits provided during the annual registration process. The data have

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3 It should be noted that U.S. federal government is responsible for funding and executing U.S. foreign assistance activities. State and local governments rarely engage in these activities. Therefore, government funding in our data and analysis refers to federal funding.

4 Registration does not guarantee the receipt of USAID funding. In FY 2014, 38% of the registered nonprofits received support from USAID (USAID, 2017).
several noticeable advantages. First, all the financial information provided by nonprofits should be consistent with their audited financial statements and is subject to USAID review, making the data more reliable than purely self-reported data. Second, VolAg Reports are published annually, which allows us to form longitudinal data on registered nonprofits over time. Third, the data capture government funding in a more comprehensive way, since they include different kinds of government support (i.e., contracts, grants, and in-kind support). Certainly, the data suffer from limitations. For example, the data only track the amount of government funding each registered nonprofit received from USAID and from the remaining federal agencies as a whole, without differentiating between all federal agencies. Also, the data do not provide rich information on organizational characteristics (such as organizational age and reputation) and local conditions in foreign countries where nonprofits operated, although the longitudinal nature of the data helps control for the effect of time-invariant variables.

We requested VolAg Reports for the period from 1997 to 2016, which report financial information for all of the registered nonprofits between FY 1995 and FY 2014. To maximize the comparability of the organizations under study, we only selected U.S.-based nonprofits that are organized under U.S. laws and headquartered in the United States. After manually retrieving data from the reports (11,368 observations), we conducted a series of data-cleaning operations: (1) we deleted 34 observations with negative values for revenue or expense items such as private donations, government contracts, government grants, government in-kind support, and administrative expenses; (2) we excluded 1,195 observations with zero administrative or fundraising expenses since they are highly contested in the literature (Tinkelman & Mankaney,
we excluded 4,401 observations with zero USAID funding since we examine whether USAID funding would leverage or discourage other government funding; (4) we used the consumer price index to adjust all financial data for inflation since our data span over 20 years. After cleaning, our final sample consisted of a panel of 682 organizations with 5,738 observations from FY 1995 to FY 2014.

The dependent variable, *other government funding*, is the amount of government contracts and grants from all federal agencies except USAID. The independent variable, *USAID funding*, is the amount of government contracts, grants, and in-kind support from USAID. In addition, we added a vector of control variables in the analysis. We first included other revenue sources to control for their potential interactions with government funding. Specifically, we controlled for *private donation* (measured by the amount of in-kind and cash contributions), following a large body of literature on the crowding-in/out effect between government funding and private donations (e.g., Andreoni & Payne, 2003; Borgonovi, 2006; Heutel, 2014; Lu, 2016).

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5 We performed a robustness check including the observations with zero administrative and/or fundraising expenses in the regression models and found the coefficients are not systematically different from the ones in Table 3. However, given the growing body of literature on nonprofit misreporting, we decided to exclude zero administrative or fundraising costs.

6 In-kind support includes USAID freight, P.L. 480 freight, and P.L. 480 donated food. Refer to McCleary and Barro (2008) for more information.

7 One control variable measuring the revenue from international organizations (such as the United Nations and the World Bank) was automatically dropped from the regression analysis because of multicollinearity problem.
We also controlled for *private revenue* (measured by the amount of revenue from program services, such as service fees and membership dues), given that it has been found to affect government funding (Enjolras, 2002; Heutel, 2014; McCleary & Barro, 2008). Further, since some studies suggest that nonprofits’ administrative costs may affect their receipt of government funding and foundation grants (e.g., Ashley & Faulk, 2010; Ashley & Van Slyke, 2012), we controlled for *administrative expenses* (measured by the amount of expenditures for administrative and management activities). Finally, we included *organization size*, measured by the amount of total expenses. The variables on both sides of the regression equation used in the analysis were transformed to the logarithm form to address data skewness.

**Results**

We began our data analysis by examining descriptive statistics and correlations for all of the variables (in Tables 1 and 2). In particular, other government funding has a mean value of 8.543 and a standard deviation of 6.859, and USAID funding has a mean value of 10.673 and a standard deviation of 6.119. Whereas it seems that nonprofits on average draw resources from both USAID and other federal agencies, USAID is the more significant funder in our sample.

The correlation analysis between these two variable indicates a negative association ($r = -0.186$), which implies a potential tradeoff between USAID funding and other government funding.

[Tables 1 and 2 Here]

We then employed panel regression analysis to further explore whether the relationship between the two variables is statistically significant. Following common practice in econometric analysis of panel data, we specified the regression model using fixed-effects and random-effects
The Hausman test reported a $p$ value of 0.000, rejecting the null hypothesis that the random-effects estimation is as consistent as the fixed-effects estimation. The fixed-effects estimation results are presented in Table 3. As seen in Model 1, there is a negative association between USAID funding and other government funding at the 1% significance level, indicating that nonprofits receiving more funding from USAID are less likely to draw funding from other government agencies. The coefficient for USAID funding is -0.192, indicating that on average every 1% increase in USAID funding decreases funding from other government agencies by approximately 0.192%.

Further, we are interested in whether organization size would moderate the relationship between USAID funding and other government funding. On one hand, larger organizations have stronger capacities that better position themselves in competing for and managing various streams of government funding (Lu, 2015; Stone, Hager, & Griffin, 2001). Other government funders may also prefer awarding larger organizations with USAID funding because of their visibility and credibility. On the other hand, larger organizations are more capable of handling the risks accompanying resource dependence and maintaining strong relationships with a limited number of funders, and thus are more likely to concentrate their funding sources (Chikoto & Neely, 2014; Foster & Fine, 2007). To explore whether the effect of USAID funding on other

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8 We checked multicollinearity between our variables by calculating the variance inflation factor (VIF). The mean VIF is 4.31, indicating no strong concern for multicollinearity.

9 We thank one anonymous reviewer for this observation.
government funding varies by organization size, we included an interaction term in the regression model, USAID funding * organization size.\textsuperscript{10}

Again, fixed-effects method was used, given that the Hausman test reported a \( p \) value of 0.000. The results from the fixed-effects estimation are reported in Model 2 of Table 3. After controlling for the same variables as in Model 1, we find that not only does the coefficient of USAID funding remain negative and statistically significant at the 1\% level, but also the coefficient of the interaction term is statistically significant at the 1\% level. The coefficient for the interaction term is positive, indicating the moderating effect of organization size in shaping the impact of USAID funding on other government funding. In other words, the negative effect of USAID funding on other government funding would decrease as organization size grows.

To further show how organization size interacts with USAID funding in affecting other government funding, we plotted the predictive marginal effect in Figure 1. The dash line represents the predictive marginal effect for small organizations (nonprofits at the low 10\% percentile of our data in terms of organization size), and the solid line represents the predictive marginal effect for large organizations (nonprofits at the top 90\% percentile of our data in terms of organization size). Both lines demonstrate a negative linear relationship, but the magnitude of the effect differs by organization size. In particular, the solid line is much flatter than the dash one, indicating that the negative effect would be significantly mitigated as organizations get larger. In large organizations, the tradeoff between USAID funding and other government funding seems pretty trivial, which implies that these two funding streams are closer to be independent.

\textsuperscript{10} Since both variables in the interaction term are continuous, we conducted centering before running regressions (Hamilton, 2012).
In sum, our data analysis indicates a significant tradeoff between USAID funding and other government funding: the more USAID funding a nonprofit gets, the less funding from other government agencies it has. The receipt of USAID funding seems to discourage nonprofits from receiving additional funding from other agencies. However, this crowding-out effect is moderated by organization size: the effect becomes weaker as organization size grows.\textsuperscript{11}

Discussion and Conclusion

Nonprofits usually operate in a turbulent environment with financial austerity. Developing effective revenue strategies to strive for better financial performance thus constitutes a pressing managerial challenge. In particular, a prominent issue for both nonprofit research and practice is how to achieve an optimal revenue mix for the best financial outcomes. The debate on revenue diversification and concentration leads scholars to suggest that within-source diversification might be a potential compromise, since it promises a combination of the benefits of both concentration and diversification. Although the theoretical discussion of the strategy sounds appealing, no empirical examination has existed to date. Our study thus represents the first empirical effort in this regard. We argue that one important question in the empirical exploration

\textsuperscript{11} We estimated the regression models in Table 3 using current-year data to better explore the revenue interaction in the same year, which informs the discussion on within-source diversification. However, our results are also robust to using one-year lagged explanatory variables.
of within-source diversification is to examine the interactions between different revenue streams within one funding source to make the strategy possible.

In this study, we employed a twenty-year panel of international development nonprofits to explore the interaction between support from a major government funder (i.e., USAID) and support from other government funders. The results indicate that although these nonprofits draw funding from both USAID and other agencies, a negative association exists between these two funding streams. USAID funding seems to crowd out funding from other agencies. Further, we find that the negative effect of USAID funding on other government funding is moderated by organization size. The tradeoff between the two funding streams decreases as nonprofit size increases.

The findings have several theoretical and practical implications. First, funding from a major government funder seems to crowd out additional funding from other government funders. As such, organizations might be more interested in concentrating on the major funder than diversifying across other funders, which raises the concern for the feasibility of diversification within government funding. A possible reason could be that diversifying within government funding does not necessarily solve all the risks associated with government funding. Although diversification within government funding may help minimize the risks of vendorism and bureaucratization, it could intensify other risks such as loss of autonomy and decreased advocacy. Meanwhile, nonprofits’ weak profit-maximization incentives may also discourage them from seeking multiple funding streams. In sum, the tradeoff between USAID funding and other government funding indicates that within-source diversification might not be conducive to revenue maximization and growth, since one funding stream may partially offset other funding streams.
Second, the impact of organization size in moderating the crowding-out effect implies that the within-source diversification strategy might be more appropriate for larger organizations. From a nonprofit perspective, it could be that larger organizations are more likely to possess the capacity to simultaneously manage multiple funding streams and address the potential risks of government funding to materialize within-source diversification. In contrast, when small or even mid-size nonprofits fail to effectively handle multiple funding relationships and address the threats of government funding, they may refrain themselves from relying on multiple streams of government funding. In this way, within-source diversification might not be financially beneficial especially for small organizations. From a funder’s perspective, it could also be that government funders might prefer larger organizations with government funding experience because these organizations are more visible and credible.

Our work has several limitations, which means the findings should be interpreted with caution. First, our data only allow us to explore the interaction between a major government funder and other government funders, without delving into the interaction between individual government funders. Second, our data do not include details on the organizational characteristics and local conditions of the nonprofits under study. For example, the social, economic, and political contexts in foreign countries where these nonprofits operated might not be time-invariant ones that can be fully addressed by our regression analysis (McCleary, 2009; Stoddard, 2012). Third, our research focuses on one funding source (government funding) at one government level (federal government) within one policy field (international development). Although the findings have implications for other contexts, their generalizability cannot be guaranteed and needs future research to verify. Fourth, our research focuses on the interaction between revenue streams within the same funding source. The findings may have implications
for the financial outcomes (e.g., financial stability and capacity) of within-source diversification, but our research does not speak directly to those questions.

In sum, our work represents an empirical exploration of within-source diversification as a new revenue strategy. We demonstrate the tradeoff between support from a major government funder and support from remaining government funders, which raises the concern for the technical desirability of within-source diversification. We call for future research to employ more nuanced data to further explore this new strategy.
References:


Table 1. Descriptive Statistics (N = 5,738)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other government funding</td>
<td>8.543</td>
<td>6.859</td>
<td>0.000</td>
<td>19.419</td>
</tr>
<tr>
<td>USAID funding</td>
<td>10.673</td>
<td>6.119</td>
<td>4.204</td>
<td>20.111</td>
</tr>
<tr>
<td>Organization size</td>
<td>16.111</td>
<td>1.910</td>
<td>8.232</td>
<td>22.328</td>
</tr>
<tr>
<td>Private donation</td>
<td>15.059</td>
<td>2.326</td>
<td>0.000</td>
<td>21.696</td>
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<tr>
<td>Private revenue</td>
<td>10.048</td>
<td>5.418</td>
<td>0.000</td>
<td>19.060</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>13.237</td>
<td>1.928</td>
<td>4.248</td>
<td>19.155</td>
</tr>
</tbody>
</table>

Note: All the variables are measured in U.S. dollars and transformed to logarithm form.
Table 2. Correlations between Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Other government funding</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) USAID funding</td>
<td>-0.186</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Organization size</td>
<td>0.378</td>
<td>0.372</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Private donation</td>
<td>-0.165</td>
<td>0.235</td>
<td>0.753</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Private revenue</td>
<td>0.117</td>
<td>-0.039</td>
<td>0.454</td>
<td>0.559</td>
<td>1.000</td>
<td></td>
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<tr>
<td>(6) Administrative expenses</td>
<td>0.331</td>
<td>0.222</td>
<td>0.599</td>
<td>0.497</td>
<td>0.638</td>
<td>1.000</td>
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</tbody>
</table>
Table 3. Regression Analysis Results

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>USAID funding</td>
<td>-0.192***</td>
<td>-0.797***</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.127)</td>
</tr>
<tr>
<td>Organization size</td>
<td>1.782***</td>
<td>1.376***</td>
</tr>
<tr>
<td></td>
<td>(0.122)</td>
<td>(0.147)</td>
</tr>
<tr>
<td>USAID funding *</td>
<td></td>
<td>0.049***</td>
</tr>
<tr>
<td>Organization size</td>
<td></td>
<td>(0.008)</td>
</tr>
<tr>
<td>Private donation</td>
<td>-0.319***</td>
<td>-0.328***</td>
</tr>
<tr>
<td></td>
<td>(0.056)</td>
<td>(0.056)</td>
</tr>
<tr>
<td>Private revenue</td>
<td>-0.082*</td>
<td>-0.086*</td>
</tr>
<tr>
<td></td>
<td>(0.041)</td>
<td>(0.041)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>0.119**</td>
<td>0.118**</td>
</tr>
<tr>
<td></td>
<td>(0.038)</td>
<td>(0.038)</td>
</tr>
<tr>
<td>Constant</td>
<td>-12.954***</td>
<td>-6.466**</td>
</tr>
<tr>
<td></td>
<td>(1.735)</td>
<td>(2.182)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.116</td>
<td>0.120</td>
</tr>
<tr>
<td>No. of Observations</td>
<td>5,738</td>
<td>5,738</td>
</tr>
<tr>
<td>No. of Organizations</td>
<td>682</td>
<td>682</td>
</tr>
</tbody>
</table>
Note: All the variables take current-year values in log form. Fixed-effects estimation method is employed. Organization fixed-effects and year indicator variables are included in each regression. Robust standard errors are reported in parentheses. Wooldridge test for serial correction in panel data fails to reject the null hypothesis of no first order serial correlation. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. 
Figure 1. The Predictive Marginal Effect of USAID Funding on Other Government Funding

Notes: 13.78 and 18.62 are the 10% and 90% values of organization size (total expenses in log form); 10.86 and 16.80 are the 10% and 90% values of USAID funding in log form.