

**Effects of Supportive and Supervisory Policies on the Development of NGOs in
China: Evidence from Guangdong**

Bin Tu

Chien-Chung Huang

Congcong Zhang

Ying-Xian Lin

Although scholars have examined various environmental factors driving the development of non-governmental organizations (NGOs), there is limited research on the effects of government policy specifically. Based on the resource dependence theory, this study examines effects of policies on NGOs, together with the social welfare expenditure, on the growth of NGOs in China. Using 2008-2016 data from 21 cities in Guangdong, we found that both supportive and supervisory policies, along with social welfare expenditure, were associated with the growth of the nonprofit sector. These findings highlight the role of policy as a factor in explaining the NGO growth in a state-centered society and suggest that more NGOs may participate in the delivery of public services when there is support from the government in terms of policy and resource dimensions. Policy and management implications are discussed.

Keywords: NGO, development, policy instruments, policy effects, social welfare expenditure

China has experienced dramatic changes since 1949, particularly after the 1978 economic reform. The GDP per capita has increased by more than 50 times, from \$155 in 1978 to \$8,643 in 2017. At the same time, the Chinese government is also experiencing administrative reform, which aims at improving the relationships between government and market, government and society, and the central and local. Since 2013, along with the release of the “Plan for the Institutional Restructuring of the State Council and Transformation of Functions”, China has continued to promote the reform of the administrative system of “streamlining and decentralizing management system, using both supportive and supervisory policies, and optimizing service procedure” to enhance the vitality and creativity of the market and society.

Economic and administrative reforms have promoted the development of NGOs management systems. Along with the rise of social problems, the demand for NGOs has dramatically increased in recent decades. The Chinese government has been aware of the need to transfer some functions to NGOs, thereby increasing the supply of public services via NGO involvement. In this context, the Chinese government has gradually changed its overwhelmingly inhibitory tactics, from strict control and supervision of NGOs to deregulation and nurturance (Deng, 2013; Jing & Chen 2012; Teet 2009). Some breakthroughs of regulations have been made by various levels of local governments from the 2000s (Jing, 2015; Tian, 2016), like the reform of dual-management system (DMS), expansion of the scope of direct registration, permission of one industry with multiple associations, and so on. Especially, in 2011, CPC Central Committee and the State Council released the policy named “Opinions on Strengthening and Innovating Social Management”, which emphasized the

role of NGOs in social construction. Since then, many provinces have introduced their own plans for NGO development, and the growth rate of NGOs has largely increased (National Bureau of Statistics of China, 2016).

However, as literature points out, while the government deregulates the system to encourage the development of NGOs, it is also adopting a control strategy. Kang and Han (2005) put forward the concept of different control and believe that the government is adopting different attitudes and policies towards NGOs with distinct positions and roles. Liu (2011) contended that the government is adopting embedded supervision on NGOs to achieve the aim of control. Jing argued that the Chinese government’s strategy regarding NGOs presents the coexistence of control and empowerment, but the control is more flexible, incentive-oriented and various, such as requiring NGOs to carry out Party-building work, strengthening financial supervision, as well as social supervision (Jing 2015). Similarly, Tian (2016) also viewed that the Chinese government’s strategy for managing NGOs lies between development and control. In 2017, Li and Rong quantified the provincial policy texts from 2004 to 2016 and found that within the management of NGOs, governments adopted three types of policy instruments: deregulation, nurture, and supervision. Among them, the number of supervision policies was the most frequent policy adopted.

The number of Chinese NGOs has grown rapidly in the past decade. According to figures from the National Bureau of Statistics, there were 404 thousand NGOs in 2008, and this number reached 702 thousand in 2017. Likewise, the nonprofit sector has gone from a relatively small segment to an essential part of the nation’s social fabric (Huang et al., 2014), as evidenced by substantial increases in both chari-

table donations and NGOs (Deng, Lu, & Huang, 2015).

To sum up, the government has realized that NGOs can make up for the inadequacies of government by providing effective social services to protect the rights of specific groups (Wang, 2009); on the other hand, the premise of acquiescence of their development is that they do not engage in any political issues (Howell, 2004) and operate normatively (Ji, 2013). This kind of development strategy leads to the coexistence of supportive and supervisory policies. Thus, one of the aims of this study is to examine the effects of both supportive and supervisory policies in influencing the variation in the number of NGOs.

This article is structured as follows: The next section reviews literature on policy effects and factors influencing variation in the number of NGOs. We then present related theories and hypotheses. Afterwards, we present our data, measures, and analytic approach in methodology section, which is followed by the results section. Finally, we conclude this paper by discussing the implications of our findings.

Literature Review

Factors influencing variation in the number of NGOs

Much of the previous literature has focused on the variation in the number of NGOs, including growth, size, and density (Lu & Xu, 2018). They have explored external factors that affect the development of NGOs, the prominent theories among which are government failure theory and interdependent theory (Kim & Kim, 2015; Lu & Xu 2018). The factors involved include the location’s demand heterogeneity represented by characteristics such as racial heterogeneity, religious diversity, income inequality, and poverty rate, as well as the local economic conditions, govern-

ment size, private donation scale, and political engagement (Ben-Ner & Van Hoomissen, 1992; Corbin, 1999; Grønbjerg & Paarlberg, 2001; Kim, 2015; Lecy & Van Slyke 2013; Matsunaga et al., 2010; Matsunaga & Yamauchi, 2004; Puyvelde & Brown, 2016; Salamon & Anheier, 1998; Saxton & Benson, 2005). Most of these factors were related to the demand and supply sides of NGOs (Kim & Kim, 2015).

From a demand-side perspective, studies have examined the relationship between demand heterogeneity and the variation in the number of NGOs. Specifically, Corbin (1999) analyzed the number of social service nonprofits in 285 metropolitan areas, finding that religious diversity and racial heterogeneity were significantly and positively related to the NGO growth. Recently, Kim's study (2015) revealed that income inequality and the level of political engagement had a positive relationship with the density of NGOs, which was measured by the number of NGOs per resident in more than 3000 U.S. counties.

As for the supply side, several studies have examined the relationship between government resources and NGO size, but have yet to reach a consensus. In line with the government failure theory, James (1993) found there was a negative relationship between nonprofit sector size and the size of government, measured by the government expenditure on education. Recently, Matsunaga et al. (2010) supported this theory by using a cross-country data set which was collected from 22 West European countries. In contrast, based on interdependence theory, public subsidies were demonstrated to have a positive influence on the size of NGOs (Salamon, 1987, 1995, 2000). For example, Puyvelde and Brown (2016) investigated the determinants of nonprofit sector density in Texas at the county level and concluded that an increase in federal govern-

ment grants had a positive effect on nonprofit sector density in education, health care, and human services areas.

In summary, research has shown that factors from demand-side and supply-side do help account for the variations in NGOs, but the existing literature lacks on the effect of political factors on the development of NGOs (Kim & Kim, 2015).

Effects of Policy on NGOs

NGOs are the product of social and political coordination (Seibel, 1990). They have emerged from social and economic necessity but have also been cultivated within a political framework (Kim & Kim, 2015). The attitudes and policies of the government often determine the appearance and survival of NGOs, especially in authoritarian countries (Deng & Wang, 2004).

Hershey (2013) conducted a historical analysis of the proliferation of HIV/AIDS-focused NGOs to explain why the NGO sector has grown so rapidly in Kenya. Hershey found that democratic reforms promoted the development of NGO by increasing civil liberties and reducing state harassment. Literature on South Korea concluded that the growth of NGOs was associated with social and economic environments that are influenced by deep historical roots in a political framework (Kim & Kim 2015; Salamon, 2000).

In terms of China, Hsu (2014) took environmental NGOs as an example and concluded that reduced state capacity due to decentralization and greater tolerance for NGOs led to NGO proliferation. Although many scholars have documented the influences of political rules on the development of NGOs in China, most of them focus on the political constraints (Ma, 2002; Schwartz, 2004; Teets, 2013; Zhan & Tang, 2016) and pay limited atten-

tion to the effects of pluralistic policy instruments on NGO growth. Moreover, existing empirical literature has mostly been based on case studies and rather than longitudinal or quantitative study (Zhan et al., 2014).

Whether in the form of formal policies or informal rules, regulations have led to an uneven expansion of NGOs (Hsu, 2014). As an important source of legitimacy for NGOs, policies issued by the government could be taken as another kind of resource from supply-side, which play a key role in the growth of NGOs. For example, such policies influence government expenditure on NGOs. Thus, we can assume the variation in the number of NGOs is related to the government's supportive or supervisory policies. In view of the limitations of existing literature that examine supply-side-influenced factors, it is critical to look at whether different kinds of policies have an influence on the dynamics of NGOs through an empirical study.

National, Provincial, and City-level Policies in China

The China's national NGO policy provides guidance for provincial governments, which, in turn, offer directions for city governments. In addition, lower-level governments such as cities or provinces can take initiatives to enact new policy at local level with approval from high-level governments. Overall, once the central government promulgates a policy at the national level, provincial governments would formulate detailed policies in accordance with local conditions, on the premise that they are consistent with the national policy direction. The provincial policy then affects city-level policy in the similar manner. This is a top-down policy diffusion process though the level and speed of the diffusion varied (Zhao, 2013). For ex-

ample, the national policies proclaimed the abolition of dual management for trade associations, chambers of commerce, and NGOs committed to technology, social welfare and community services in 2013. By the end of 2015, 26 out of 34 provincial-level units had issued policy on direct registration of these types of NGOs (Zhang, 2017).

On the other hand, city and provincial governments can issue NGO policies from their own independent practice and needs, which reflects a bottom-up path. With this developmental approach, the lower-level governments independently carry out policy innovation in areas where the high-level government has not yet formulated policies. However, the policy signals released by and/or the recognition from higher-level governments are the main factors for local policy innovation (Lan, 2012). In the field of NGOs, the Ministry of Civil Affairs mainly relied on the initiative of the local government for innovation and gave legitimacy to the innovation of the local policies through the agreement between the ministry and the local government (Zhang, 2017). For example, with approval of Guangdong government, Shenzhen City started the direct registration for three types of NGOs in 2008. The policy was successful and extended in 2012, and then adopted by the central government in 2013.

As for types of policy instruments on NGOs, there are deregulation, nurture, and supervisory policy instruments in China, see appendix 1 (Li & Rong, 2017). The deregulation and nurture policy instruments are supportive policies that encourage the development of NGOs, such as the deregulation of NGO registration and the cultivation of NGO capacity, while the supervisory policy instruments refer to policies on strict supervision and control, and aim to channel the development of NGOs. Specifically, deregulation policy instruments refer to the

policies aiming to reduce the limitation and control of NGOs. These instruments manifest in the following three aspects: entry, investment, and donation. The following are examples of such policies in the city of Shenzhen.

(1) Deregulation on Entry: In 2008, the Shenzhen Municipal Government made three types of NGOs, namely, industrial and commercial organizations, social welfare organizations, and public welfare organizations, registered directly by the civil affairs department. Afterward, in 2012, the scope of direct registration was further expanded to eight categories. That is, by the time the national policies allowed the direct registration for four types of NGOs in 2013, there were eight types of NGOs could be registered directly in Shenzhen.

(2) Deregulation on Investment: In 2012, the Shenzhen Municipal Party Committee and Municipal Government issued a policy to facilitate capital to support social organizations. It encourages financial institutions to provide credit support to NGOs and promotes public-interest entrepreneurship.

(3) Deregulation on Donation: In 2016, the Bureau of Civil Affairs of Shenzhen issued guidelines on the application of charitable organizations for obtaining public fundraising eligibility. This is a local policy that implements and concretizes the provisions of the Charity Law and the Regulations on the Public Fundraising of Charitable Organizations.

Nurture policy instruments refer to the policies that support the development of NGOs on input, performance, and integrated nurture practice, examples as below:

(1) Nurture on Input: In 2012, the Shenzhen Municipal Party Committee and Municipal Government issued the Opinions on further Promoting the Reform and Development of Social Organization, which claimed for more

financial input to support the development of NGOs in order to further promote the reform and development. The concrete measures include establishing the public financial support system, tiered public financial management system of county and district, and the multi-level financial funds guarantee system.

(2) Nurture on Performance: The 2012 document mentioned above also required project subsidies or performance rewards given to the NGOs that provide public welfare services if the evaluation was good.

(3) Integrated Nurture: We classify policies that comprehensively support funding, performance, and legitimacy as integrated nurture policies. For example, in 2011, the Guangdong Provincial Government issued a document on further encouraging and guiding private investment. It was pointed out that franchise management should be strengthened. And it was necessary to further expand the scope of franchising in the field of public services and promote private investment to enter relevant fields through franchising.

Supervisory policy instruments include direct, indirect, and comprehensive supervisions. The 2012 Opinions on further promoting the Reform and Development of Social Organization is also reflected in these aspects.

(1) Direct Supervision: The policy stipulated that it was necessary to establish and implement the withdrawal mechanism of NGOs. The law enforcement should be strengthened and the NGOs should be investigated and held responsible according to law. NGOs with abnormal activities, poor performance in terms of operational capacity and social recognition should be led to merge or withdraw. For those who do not meet the requirements for establishment but registered in a false way, do not have orderly management, do not have activities for more than one

year, shall be withdrawn in an orderly manner.

(2) Indirect Supervision: The policy provided for the establishment of self-discipline mechanism. Integrity committees were encouraged to be established in key areas of industrial associations to regulate the activities of NGOs. At the same time, NGOs should be guided to implement the Convention of Integrity and the professional ethics education for their members.

(3) Comprehensive Supervision: The policy introduced in 2012 emphasized the comprehensive supervision of the NGOs. A comprehensive supervision system of NGOs was planned, which included administrative supervision, self-discipline, supervision from the public, and the guarantee of the Party Organizations in NGOs.

Resource Dependence Theory

Resource dependence theory emphasizes the effect of external environmental factors on organizational survival and development (Tjalma et al., 2013). According to the resource dependence theory, organizations are hardly self-sufficient, and their activities are determined by external context, which includes resources that affect survival and development (Hall, 1991). From the perspective of the resource dependence theory, the requirements of survival and development for any form of organization are 1) obtain legitimacy (such as national recognition, registration, or social identification) and 2) obtain economic resources (such as places, funds, and personnel) (Deng, 2011; Yu, 2005).

For nonprofit organizations in China, the legitimacy and economic resources needed for existence and development come from government and society (Deng, 2011). This study focuses on the legitimacy and economic resources that come specifically from the

government. NGOs are dependent on government resources such as funds, legitimacy, and investment in technology and materials, among others.

Legitimacy Resource

Legitimacy is conducive to the survival of an organization, although it does not necessarily have the meaning of technology or economic efficiency (Meyer & Rowan, 1977). As for economic resources, legitimacy is one of the important resources that organizations need (Pfeffer & Salancik, 1978; Yu, 2005).

In view of the authoritarian state system, Chinese government not only has absolute control over resources, but also the power to endue or weaken legitimacy of NGOs (Tang, 2012). This has strong implications for the survival of organizations and NGOs since they often need to obtain political, administrative, and legal legitimacy from the government (Gao, 2000).

Hence, when the government encourages the development of NGOs and provides them with more accessible political, administrative, and legal legitimacy resources, it is more conducive to the survival and development of them, inducing a rise in the number of NGOs. When the government imposes supervision and restrictions on nonprofit organizations, it may reduce economic resource available for NGOs, and therefore reduces number of NGOs. However, the supervisory policy also assists NGOs obtain legitimacy and therefore may be beneficial to the growth of NGOs. The final effect of the supervisory policy depends on which effect outweigh the other. Therefore, **Hypothesis 1:** Supportive policy is positively related to the increase of NGOs. **Hypothesis 2:** Supervisory policy may be negatively or positively related to the increase of NGOs, depending on its effects on reducing economic resource or increasing legitimacy for NGOs.

Economic Resources

As mentioned above, the theory of resource dependence holds that an organization is subject to the environment for the need of resources. At the same time, it also forms an interdependent relationship with other organizations by providing resources. There is also an interdependent relationship between NGOs and government due to holding of each other's superior resources (Cho & Gillespie, 2006). Sidel (1991) believes that the relationship between government and NGOs is interdependent instead of being characterized entirely by one-sided compliance and obedience due to the fact that they both hold some important resources.

In this sense, the interdependence theory proposes that the relationship between government and NGOs is complementary, and these two sectors address public problems jointly or deliver services cooperatively. This theory would predict a positive relationship between government social welfare expenditure and the quantity of NGOs in a locality. Therefore, **Hypothesis 3:** Social welfare expenditure is positively related to the increase of NGOs.

Methodology

Data

The data used in this study came from 21 cities in Guangdong Province between 2008 and 2016. Nongovernmental organizations are divided into three categories in the ministry bureaus, including social service organizations, social groups, and foundations. The numbers of NGO came from the China Civil Affairs Statistical Yearbook (2009-2017) and other socioeconomic data were from the Statistical Yearbook of Guangdong (2009-2017). The policy instruments data were col-

lected from the Guangdong Social Organization Information Network, Guangzhou Civil Affairs Bureau Social Organization Information Platform, and Shenzhen Civil Affairs Bureau Social Organization Information Platform.

The choice of Guangdong Province is based on the following two reasons. Firstly, Guangdong Province has been at the forefront of NGO management system reform and has explored many practices about nurturance and supervision. Reforms in the cities of Guangzhou and Shenzhen have been the most distinctive. Take the registration policy as an example: in 2006, Guangdong Province promulgated the Regulations on Trade Associations and took the lead in breaking through the dual management system of industry associations. In 2008, the Shenzhen City government issued the direct registration policy that covered three types of NGOs: the industrial and commercial organizations, social welfare organizations, and charitable organizations. Each type could be directly registered and administered by the civil affairs department. Similarly, Guangzhou City has gradually conducted the direct registration of NGOs in the fields of science and technology, sports, social work, philanthropy, and commerce since 2009. Compared to national direct registration policies of the four types of NGOs (associations, technology organizations, philanthropy organizations, and urban and rural community service organizations) in 2013, Guangdong is in a leading position. Secondly, Guangdong Province is one of the provinces with the most published policy documents for social organizations at the provincial level in China (Li, 2017).

Measures

Dependent Variable

Number of NGOs. The number of

NGOs registered in 21 cities of Guangdong Province was used as the number of NGOs in each city. We also used density of NGOs, measured by number of NGOs divided by population, as an alternative measure. The estimates were not significantly different from the ones reported here.

Independent Variables

Number of policies. We adopted the analysis framework of policy instruments on NGOs by Li and Rong (2017) and measured the number of policies in three dimensions: deregulation, nurture, and supervisory policy instruments, as shown in appendix 1.

Social welfare expenditure. The expenditure used for social welfare and services in each city was used to measure social welfare expenditure and is collected from *Statistical Yearbook of Guangdong, 2009-2017*.

Control Variables

Number of population, GDP per capita, unemployment rate, crime rate, and urban population rate were also included as control variables. The variable of population is the population of the city in that year. As an important indicator of economic growth, GDP per capita is the gross domestic product per capita of the city. Unemployment rate and urban population rate are the number of unemployed population and the number of people living in urban areas as a percentage of the total population separately. As to the Crime rate, it is measured the proportion of criminal population per 10 thousand population.

Analytic Techniques

As the 21 cities in Guangdong Province was varied by socioeconomic characteristics, city-fixed effects were included in the regression model to account for unobserved characteristics across cities. Specifically, fixed effects regression was used with the number

of NGOs as the dependent variable and number of policy instruments and social welfare expenditure as the independent variables, along with the control variables. Fixed effects models were run as ordinary least squares (OLS) regressions, with city binary variables as the fixed effects. The model specification is given by the following equation: $Ln(y_i) = \alpha_i + b_1 * PT_i + b_2 * c_i + \epsilon_i$,

where $Ln(y_i)$ is the logarithm number of NGOs at city i ; α_i is the individual city effect; PT is the number of policy instruments; χ is a vector of other independent variables, including social welfare expenditure and city characteristics; β is a regression coefficient, and ϵ is an error component. Social welfare expenditures, population, and GDP per capita were entered in regression analysis in the format of natural logarithmic function.

Results

Table 1 presents the descriptive statistics of policy instruments of 21 cities. The city mean of policy instruments numbers was 36.0 and the standard deviation was 19.0. Among the three types of policy instruments, the number of supervisory instruments was highest, with a mean of 18.6 and a standard deviation of 8.1. With respect to the secondary policy instruments, the mean number of direct supervisory policy instruments was the largest at 12.5 with a standard deviation of 4.8. Nurture policy instruments on input and entry deregulation policy instruments were high, too, with means of 5.8 and 3.8, respectively. In addition, the number of these policy instruments increased substantially from 2008 to 2016, from 10.0 in 2008 to 57.4 in 2016.

Table 2 presents the descriptive statistics of number of NGOs of 21 cities. The table shows a dramatic growth of NGOs between 2008 and 2016: There was a mean of 1,107 in 2008 and 2,685

million RMB, with a standard deviation of 1392 million RMB.

Table 3 presents estimates of OLS regression of the number of NGOs. Two models are listed. Model 1 includes total number of policy instruments, social welfare expenditure, population, GDP per capita, unemployment rate, crime population, and the percentage of urban population. We added the city-fixed effect in model 2.

The results of model 1 showed that the number of policy instruments was an important factor in the number of NGOs. An increase of 10 policy instruments was associated with a 7 percent increase ($\exp[0.07]=1.07$) in the number of NGOs. Similarly, social welfare expenditure also had a significant effect on the number of NGOs. The results showed that a 10 percent increase in social welfare expenditure was associated with a 3 percent increase ($1.10^{0.27}=1.03$) in the number of NGOs, thereby confirming hypothesis 3. Additionally, population and percentage of urban population were both significantly positively related to the number of NGOs. GDP per capita, unemployment rate, and crime population, however, did not have effects on the number of NGOs. After controlling for city-fixed effects in model 2, estimation of the number of policy instruments increased to 0.08, or an increase of 10 policy instruments was associated with a 8 percent increase ($\exp[0.08]=1.08$) in the number of NGOs. Likewise, a 10 percent increase in social welfare expenditure was associated with a 4 percent increase ($1.10^{0.42}$) in the number of NGOs. The R-square value increased to 0.96 after controlling for city effects.

Table 4 presents robust tests of policy instrument measures. The regressions were exactly same as the one in Model 2 of Table 3, with city fixed effect, except that the total number of policy instrument was replaced by

individual policy category and instrument respectively. Additionally, effects of policy instrument measures were examined in each of three different types of NGOs (Column 2 to 4), in addition to total number of NGOs (Column 1). The deregulation policy instruments showed strong effects on the quantity development of social groups. Specifically, an increase of 10 deregulation policy instruments was associated with a 20 percent increase ($\exp[0.18]=1.20$) in the number of social groups. However, deregulation policy did not show significant effect on the overall quantity of NGOs, nor on the number of social service organizations and foundations. As for the secondary policy instruments, the deregulation policies on entry and investment positively affected the number of social groups. An increase in one entry deregulation policy was associated with a 3 percent increase in the number of social groups, and the effect increased to 6 percent for each investment deregulation.

The effect of the number of nurture policy instruments on NGO development is positive and significant. Increasing 10 nurture policy instruments was associated with a 21 percent increase ($\exp [0.19]=1.21$) in the number of NGOs, 13 percent for social service organizations, 32 percent for social groups, and 352 percent for foundations. For the secondary policy instruments, both nurture policy instruments on input and performance had a positive effect on the number of NGOs, as well as for each type of NGOs.

The number of supervisory policy instruments also had a positive effect on the overall number of NGOs and the number of diverse types, suggesting effects of increasing legitimacy outweighing effects of reducing economic resource from the policy. Increasing 10 supervisory policy instruments was associated with a 34 percent increase

in the number of NGOs ($\exp[0.29]=1.34$), 21 percent in social service organizations, 49 percent in social groups, and 335 percent in foundations. As for the secondary policy instruments, indirect and comprehensive supervisory policy instruments have stronger and more stable positive effects on the number of NGOs, compared to direct supervisory policy instruments.

Discussion and Conclusion

This paper employs data of Guangdong province from 2008 to 2016 to examine the effects of policy instruments and social welfare expenditure, on the quantity of NGOs in China. The results show that the number of NGOs in Guangdong have dramatically grown, with a city mean of 1,107 in 2008 and 2,685 in 2016. This growth was especially noticeable since the year 2011, as shown in Figure 1.

The regression results indicate that policy and social welfare expenditure have significant effects on the number of NGOs. The positive effect of deregulation policy and supportive policy supports resource dependence theory in that accessible political, administrative, and legal legitimacy resources are conducive to the survival and development of NGOs, thus increasing the number of NGOs. The positive result of social welfare expenditure provides empirical evidence for interdependence theory, which hypothesizes that an increase in public subsidies will have a positive effect on the NGO size (Salamon, 1987&1995). We also found evidence for this theory since an increase in social welfare expenditure had a positive influence on the quantity of NGOs.

The results also show a positive relationship between supervisory policy and the development of NGOs. It suggests that the supervisory policy may help NGOs gain legitimacy and

while the supervisory policy may also reduce economic resource available to them. In addition, the supervisory policy tends to regulate NGOs' activities instead of restricting their development. This attitude is especially embodied in the indirectly supervisory and comprehensively supervisory policies. In short, the results of this study suggest that both supportive and supervisory policies, as well as high social welfare expenditure, were associated with increasing number of NGOs in Guangdong, China from 2008 to 2016.

These results have practical implications for the government. For promoting the growth of NGO sector, government could adopt supportive policies such as nurture policy and increasing funding. With respect to supervisory policy, compared to direct supervision, indirect and comprehensive supervisory policies have larger and more stable effects on the increase of NGOs. Therefore, government should consider latter, rather than former, policy instruments.

This study has several limitations that warrant further exploration. First, our sample was limited to 21 cities of Guangdong Province, and as a result, our findings may not be generalized to the whole of NGOs in China. Second, only the quantity measure of NGOs was used for the development of NGOs. – The quality indicators of NGOs such as education, age, and wage of the staff were not available. Future studies could examine the effects of policy instruments on the quality of NGOs to provide a comprehensive picture of policy effect on the development of NGOs. Despite the limitation, this study serves as an entry point to understand the relationship between policy and the development of NGOs in authoritarian countries.

Table 1. Descriptive Statistics of Policy Variables

	All		2008		2016	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
Number of Policy Instruments	36.0	19.0	10.0	0.2	57.4	4.9
Deregulation	7.2	5.0	0.5	0.2	12.3	1.1
Nurture	10.2	6.1	3.0	0.0	16.9	3.3
Supervisory	18.6	8.1	7.0	0.0	28.2	0.8
Deregulation						
Entry	3.8	2.8	0.0	0.0	6.2	0.9
Investment	2.7	1.9	0.1	0.2	5.1	0.4
Donation	0.7	0.5	0.0	0.0	1.0	0.2
Nurture						
Input	5.8	3.4	2.0	0.0	9.5	2.2
Performance	3.7	2.3	1.0	0.0	6.2	0.7
Integrated	0.7	0.6	0.0	0.0	1.1	0.5
Supervisory						
Direct	12.5	4.8	5.0	0.0	18.1	0.5
Indirect	2.9	1.8	1.0	0.0	5.1	0.3
Comprehensive	3.2	1.6	1.0	0.0	5.0	0.0
N	189		21		21	

Table 2. Descriptive Statistics of Other Main Variables

	All		2008		2016	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
Number of NGOs	1744	1444	1107	868	2685	1993
Social Service Organizations	956	916	600	583	1468	1217
Social Groups	782	609	507	326	1199	878
Foundations	5	25	0	0	18	54
Social Welfare Expenditure [m.]	884	931	467	402	1429	1392
Population [10 thousand]	501	281	471	251	524	316
GDP per capita	51326	35864	38447	28428	64016	42834
Unemployment Rate	2.5	0.3	2.7	0.4	2.4	0.1
Crime population [per 10 thousand population]	63	45	68	61	46	45
% of urban population	62	20	60	21	64	20
N	189		21		21	

Table 3. Regression Estimates of the number of NGOs

	Model 1			Model 2		
	B	Robust S.E.	p	B	Robust S.E.	p
# of Policies [10]	0.07	0.02	**	0.08	0.02	**
ln (Social Welfare Expenditure)	0.27	0.11	*	0.42	0.15	*
ln (Population)	0.33	0.11	**	-0.18	0.92	
ln (GDP per capita)	0.28	0.15		-0.06	0.38	
Unemployment Rate	0.01	0.10		0.05	0.08	
Crime Population [per 10 thousand population]	-0.02	0.07		-0.06	0.04	
% of Urban Population	0.01	0.00	*	0.01	0.01	*
Constant	-1.70	1.22		3.65	6.96	
State Fixed Effect	No			Yes		
R-square	0.91			0.96		
Note: + p<.1, * p <.05, ** p < .01, *** p <.001.						
N=189						

Table 4. Regression Estimates of the Number of Different Types of NGOs

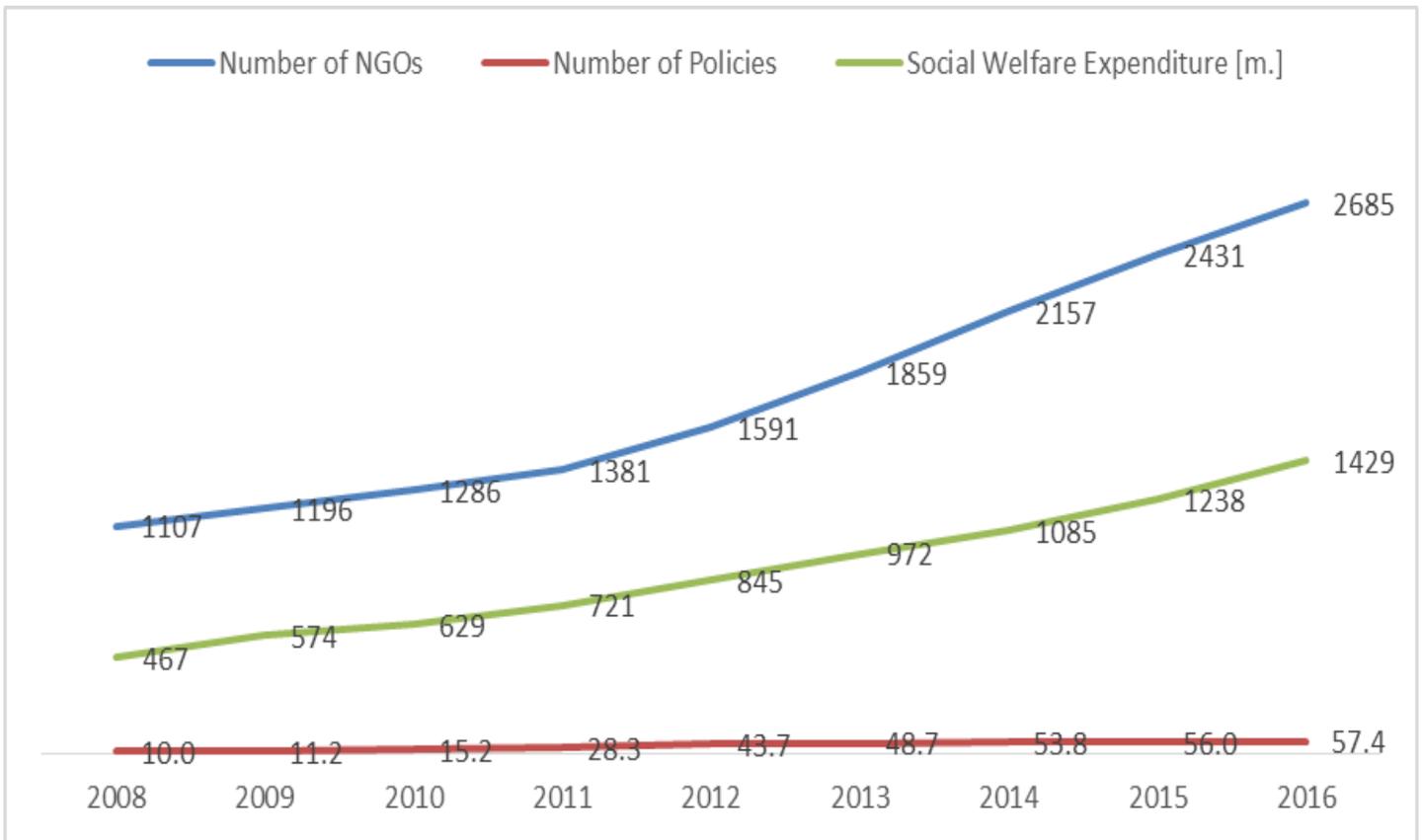
	# of NGOs		# of Social Service Organizations		# of Social Groups		# of Foundations					
	B	Robust S.E.	P	B	Robust S.E.	P	B	Robust S.E.	P			
# of Policies [10]	0.08	0.02	**	0.05	0.02	*	0.11	0.02	***	0.34	0.14	*
# of Deregulation Policies [10]	0.10	0.07		0.02	0.06		0.18	0.06	**	-0.14	0.46	
# of Nurture Policies [10]	0.19	0.08	*	0.12	0.05	*	0.28	0.05	***	1.26	0.36	**
# of Supervisory Policies [10]	0.29	0.07	**	0.19	0.05	**	0.40	0.05	***	1.21	0.39	**
Deregulation Regulations												
Entry [10]	0.02	0.01		0.00	0.01		0.03	0.01	**	0.02	0.08	
Investment [10]	0.03	0.02		0.01	0.02		0.06	0.02	**	-0.08	0.13	
Donation [10]	-0.03	0.04		-0.07	0.05		0.00	0.04		-0.54	0.33	
Nurture Regulations												
Input [10]	0.03	0.02	*	0.02	0.01	**	0.05	0.01	***	0.27	0.06	***
Performance [10]	0.05	0.01	**	0.04	0.01	**	0.07	0.01	***	0.23	0.09	*
Integrated [10]	-0.04	0.03		-0.09	0.04	*	-0.01	0.04		0.09	0.30	
Supervisory Regulations												
Direct [10]	0.04	0.01	*	0.02	0.01		0.05	0.01	***	0.08	0.07	
Indirect [10]	0.09	0.02	***	0.07	0.01	***	0.11	0.01	***	0.57	0.10	***
Comprehensive [10]	0.10	0.02	***	0.07	0.02	**	0.13	0.02	***	0.33	0.16	*

Note: * p < .05, ** p < .01, *** p < .001.

N=189

Appendix 1. Types of policy instruments on NGOs (Li & Rong, 2017)

Policy Instruments	Secondary Policy Instruments	Specific Measures
Deregulation	Entry	Expansion of the scope of direct registration, Simplifying registration and approval procedures, Permission of one industry with multiple associations...
	Investment	Promoting social donation, Attracting social investment, Allowing to invest and run...
	Donation	Permission of raising, Public fundraising, Online fundraising...
Nurture	Input	Funding, Government purchases, Build incubators...
	Performance	Voucher system, Yardstick competition, Substituting subsidies with rewards...
	Integrated	Venture philanthropy, Social impact bonds...
Supervisory	Direct	Conducting inspections, Prevention and management of violations...
	Indirect	Industry supervision, Third-party supervision...
	Comprehensive	Multi-sectoral joint supervision, Party committees and governments joint supervision...

Figure 1. Trends in Policies, Social Welfare Expenditure, and NGOs

Acknowledgements

The research supported by Guangdong Natural Science Foundation Project (Granted No.2017A030313426)

References

- Ben-Ner, A., & Hoomissen, T. (1992). An Empirical Investigation of the Joint Determination of the Size of the For-profit, Nonprofit and Government Sectors. *Annals of Public and Cooperative Economics*, 63(3), 391-415.
- Cho, S., & Gillespie, D. F. (2006). Conceptual Exploring the Dynamics of Government-Nonprofit Service Delivery. *Nonprofit and Voluntary Sector Quarterly*, 35(3), PP. 493-509.
- Corbin, J. (1999). A Study of Factors Influencing the Growth of Nonprofits in Social Services. *Nonprofit and Voluntary Sector Quarterly*, 28, 296-312.
- Deng, G. S. (2013). The Development of China's Nonprofit Sector Since 1995. In C-C. Huang, G. Deng, Z. Wang, & R. L. Edwards (Eds.), *China's nonprofit sector: Progress and challenges* (pp. 3-19). New Jersey: Transaction Publishers.
- Deng, G. S., Lu, S., & Huang, C-C. (2015). Transparency of Grassroots Human Service Organizations in China: Does Transparency Affect Donation and Grants? *Human Service Organizations: Management, Leadership, & Governance*, 39 (5): 475-491.
- Deng, L.Y., & Wang, J.P. (2004). The Restrictive Factors for the Survival and Development of NGO in China: The Case of Panyu Workers Service Firm in Guangdong. *Sociological Studies*, (2), 89-97.
- Deng, N. H. (2011). Arts of Hermit Crab: Environmental Adaptation Strategies of Within-the-Regime Social Organizations — — A Case Study of Two Provincial Level Social Organizations in Tianjin. *Journal of Public Management*, 8(3), 91-101.
- Gao, B. (2000). Problems Related to the Legitimization of Associations in China. *Social Sciences in China*, (2), 100-109.
- Grønbjerg, K. A., & Paarlberg, L. (2001). Community variations in the size and scope of the nonprofit sector: Theory and preliminary findings. *Nonprofit and Voluntary Sector Quarterly*, 30(4), 684-706.
- Hall, R. H., & Tolbert, P. S. (1991). *Organizations: Structure, Process and Outcomes*. New York: Jersey Prentice Hall, 278.
- Hershey, M. (2013). Explaining the non-governmental organization (NGO) boom: the case of HIV/AIDS NGOs in Kenya. *Journal of Eastern African Studies*, 7(4), 671-690.
- Howell, J. (2004). *Governance in China*. Rowman & Littlefield Publishers.
- Hsu, J. Y. J. (2014). Chinese non-governmental organizations and civil society: a review of the literature. *Social Science Electronic Publishing*, 8(2), 98-110.
- Huang, C-C., Deng, G. S., Wang, Z., & Edwards, R. L. (Eds.) (2014). *China's Nonprofit Sector: Progress and Challenges*. New Jersey: Transaction Publisher.
- James, E. (1993). Why Do Different Countries Choose a Different Public-private Mix of Educational Services? *Journal of Human Resources*, 28(3), 571-592.
- Ji, Y. (2013) Social organizations in contemporary china: theoretical perspective and empirical research. *Sociological Studies*, (5) :219-241.
- Jing, Y. (2015). Between control and empowerment: governmental strategies towards the development of the non-profit sector in China. *Asian Studies Review*, 39 (4), 589-608.
- Jing, Y., & Chen, B. (2012). Is Competitive Contracting Really Competitive? Exploring Government-nonprofit Collaboration in China. *International Public Management Journal*, 15(4), 405-428.
- Kang, X., & Han, H. (2005). The System of Differential Controls: A Study of the State-society Relation in Contemporary China. *Sociological Studies*, 20(6), 73-89.
- Kim, M. (2015). Socioeconomic Diversity, Political Engagement, and the Density of Nonprofit Organizations in U.S. Counties. *American Review of Public Administration*, 45 (4), 402-416.
- Kim, S. E., & Kim, Y. H. (2015). Measuring the Growth of the Nonprofit Sector: A Longitudinal Analysis. *Public Administration Review*, 75 (2), 242-251.
- Lan, Y. X. (2012). Social Organization Management System: Innovations of Local Governments. *Chinese Public Administration*, (03), 48-51.
- Lecy, J. D., & Slyke, D. M. V. (2013). Nonprofit Sector Growth and Density: Testing Theories of Government Support. *Journal of Public Administration Research & Theory*, 23(1), 189-214.
- Li, J., & Rong, X. (2017). The choice of political tools for nonprofit organizations' development under "the pipes suit" reform: based on the quantitative analysis of province's policy contexts from 2004-2016. *Journal of Chinese Academy of Governance*, (4) :73-78.
- Liu, G. (2017). Government Decentralization and The Size of the Nonprofit Sector: Revisiting the Government Failure Theory. *Social Science Electronic Publishing*, 47(1), 619-633.
- Liu, P. (2011). From Graduated Control towards Embedded Regulation: NGO Regulatory Policy Innovations in China's Local Governments. *Journal of Renmin University of China*, (5), 91-99.

- Lu, J. H., & Xu, C. X. (2018). Complementary or Supplementary? the Relationship Between Government Size and Nonprofit Sector Size. *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, (4), 1-16.
- Ma, Q. S. (2002). The Governance of NGOs in China Since 1978: How Much Autonomy? *Nonprofit and Voluntary Sector Quarterly*, 31(3): 305-28.
- Matsunaga, Y., & Yamauchi, N. (2004). Is the Government Failure Theory Still Relevant? A Panel Analysis Using US State Level Data. *Annals of Public and Cooperative Economics*, 75(2), 227-263.
- Matsunaga, Y., Yamauchi, N., & Okuyama, N. (2010). What Determines the Size of the Nonprofit Sector? A Cross-country Analysis of the Government Failure Theory. *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, 21, 180-201.
- Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83 (2), 340-363.
- Pfeffer, J., & Salancik, G. R. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. New York: Harper & Row.
- Puyvelde, S. V., & Brown, W. A. (2016). Determinants of Nonprofit Sector Density: A Stakeholder Approach. *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, (3), 1-19.
- Saidel, J. (1991). Resource Interdependence: The Relationship between State Agencies and Nonprofit Organizations. *Public Administration Review*, 51(6), 543-553.
- Salamon, L. M. (1987). Of Market Failure, Voluntary Failure, and Third-party Government: Toward a Theory of Government-nonprofit Relations in the Modern Welfare State. *Journal of Voluntary Action Research*, 16, 29-49.
- Salamon, L. M. (1995). *Partners in Public Service: Government-nonprofit Relations in the Modern Welfare State*. Baltimore, MD: Johns Hopkins University Press.
- Salamon, L. M., & Anheier, H. K. (1998). Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-nationally. *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, 9(3), 213-248.
- Salamon, L. M. (2000). Social origins of civil society: an overview. *World Directory of Crystallographers*.
- Saxton, G., & Benson, M. (2005). Social Capital and the Growth of the Nonprofit Sector. *Social Science Quarterly*, 86(1), 16-35.
- Schwartz, J. (2004). Environmental NGOs in china: roles and limits. *Pacific Affairs*, 77(1), 28-49.
- Seibel, W. (1990). Government-Third Sector Relationship in a Comparative Perspective: the Cases of France and West Germany. *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, (1), 42-60.
- Tang, W. Y. (2012). How to Examine Chinese NGO-state Relations. *Journal of Public Administration*, (4), 145-162.
- Teets, J. C. (2009). Post-earthquake relief and reconstruction efforts: the emergence of civil society in china? *China Quarterly*, 198, 330-347.
- Tian, K. (2016). Between development and control: the reform of nonprofit organization management in China. *Hebei Academic Journal*, 36 (2), 168-174.
- Tjalma, W., Van, S. P., Verbist, A. M., Buytaert, P., & Van, D. P. (2013). More than a metaphor: assessing the historical legacy of resource dependence and its contemporary promise as a theory of environmental complexity. *Academy of Management Annals*, 7(1), 441-488.
- Wang, C. (2009). The practice of the civil society in the process of urbanization. *Zhejiang Social Sciences*, (1) :61-68
- Young, D. R. (2000). Alternative Models of Government-nonprofit Sector Relations: Theoretical and International Perspective. *Nonprofit and Voluntary Sector Quarterly*, 29 (1), 149-172.
- Yu, W. (2005). On the Relationship Between NGOs and Government: From the Perspective of Resource-interdependence theory. *Journal of Public Management*, (2), 32-39.
- Zhan, X., Lo, W. H., & Tang, S. Y. (2014). Contextual Changes and Environmental Policy Implementation: A Longitudinal Study of Street-level Bureaucrats in Guangzhou, China. *Journal of Public Administration Research & Theory*, 24 (4), 1005-1035.
- Zhan, X., & Tang, S. (2016). Understanding the implications of government ties for nonprofit operations and functions. *Public Administration Review*, 76(4), 119-26.
- Zhang, G. R. (2017). Study on the Diffusion Mechanism of High-risk and Weak-incentive Policy Innovation—Taking the Reform of Dual Management System of Provincial Government as an Example. *Journal of Public Management*, 14 (04), 1-15.
- Zhao, H. (2013). Innovation and Diffusion of China's Social Policy: Taking the Endowment Insurance Policy as an Example. *Journal of Chinese Academy of Governance*, (06), 44-48.

華民研究中心
Huamin Research Center

Rutgers, The State University of New Jersey
School of Social Work
390 George Street, Room 503
New Brunswick, NJ 08901
848-932-7520, ext. 28256
socialwork.rutgers.edu/huamin