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ENTREPRENEURIAL ACTIVITIES OF PUBLIC BENEFIT ORGANIZATIONS

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Abstract. The paper assesses how revenue diversification of the public benefit organizations (which are important part of the Polish third sector) is associated with the organizations size (measured by the total year revenues). The study covered all public benefit organizations (it was almost 8,000 organizations - their number varied depending on the year), which operated in 2015-2017. The results obtained indicate that there is a statistically significant relationship between the diversification of revenues and the size of the organization. The analysis included, in particular, commercial sources of revenues, which prove the pro-entrepreneurial attitude of the surveyed organizations and the ability to operate on a competitive market. Results also indicate that revenue diversification through the use of commercial earning sources has a positive effect on the overall volume of annual revenue generated. It can therefore be concluded that the diversification of revenue sources is better for Polish public benefit organizations (PBOs) than concentration on one source. Univariate descriptive statistics associated with frequency distributions, including percentages and means, and statistical tests (including the chi-square independence tests and Kruskal – Wallis tests) were used to verify the hypotheses.

Keywords: Public Benefit Organization; NGOs' entrepreneurship; revenues diversification

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1. Introduction

Entrepreneurship theories make clear that the concept of entrepreneurship is not confined to the for-profit sector, it is a general principle which can be applied to the non-profit sector as well (Badelt, 2003, 154). So, the concept of entrepreneurship plays a significant role in NGOs economics and management theorizing. While classic entrepreneurship aims starting a business with profit motivation, nowadays the interest on general social problems has been increasing (accommodation, nature, education, health, gender, poverty etc.), and this interest shows itself with entrepreneurial activities. So, finally the interest on social problems transforms very often the classic entrepreneurship to a volunteer and philanthropic structure (Soysekerki, Erturg, 2010, p. 1850).

The issues discussed in the article assume that the diversification of revenue sources is a favourable phenomenon for NGOs (in particular, this applies to commercial methods of obtaining revenue). Nevertheless, there are opinions and analyses in the literature that show that concentration on one source can be more effective. For example, according to Despard, Nanre Nafziger-Mayegun, Adjabeng and Ansong (2017, p. 2129), revenue diversification is associated with decreased fund-raising efficiency. Similar studies were presented by Mozos, Duarte and Ruiz (2016, p. 2). This happens when revenue diversification among NGOs is associated with efforts to meet complex and varying accountability and performance standards of multiple funders (AbouAssi, 2013, p. 584). So, it is much easier and less time consuming to control and monitor the effects of utilisation in the case of more concentrated sources of financing, which doesn't involve complicated procedures from different sources (Fischer, Wilsker, Young 2011, p. 662; Froelich, 1999, p. 246). Similarly, Ecer, Magro, and Sarpça (2017, p. 141) found that US NGOs whose budgets were comprised mostly of earned revenue had greater administrative efficiency but lesser fund-raising efficiency compared to NGOs whose budgets were comprised mostly of grants and donations. Another charge of commercial earning by NGOs is the structural effects of engaging in business activities. It causes predominantly the professionalization of NGO administration but simultaneously the board of directors as an exponent of the governance structure, plays a more important role in overseeing NGO finances and managing possible conflicts of interest and mission drift (Khieng, Dahles, 2015, p.1431).

Most authors, however, clearly recognize the diversification of revenues as a positive phenomenon for NGOs both in terms of financial stability (for example Carroll and Stater; p. 947; Trussel, 2002, p. 17), financial vulnerability (for example Despard, Nanre Nafziger-Mayegun., Adjabeng Ansong 2017; Hager 2001, p.383), nonprofit financial health (Hung, Hager, 2019, p. 5) or reducing the volatility (Mayer,Wang, Egginton, Flint, 2014, p. 374). The benefits of self-financing and commercial activities are particularly emphasized. For example, Vaceková and Svidroňová (2014, p. 128), after analysing NGOs in Czech Republic, Slovakia and Austria, managed to confirm that self-financing and commercial activities is a suitable method used for raising funds and also one of the possible ways to gain financial stability, independence and, in the end, also the long-term sustainability of NGOs. The authors indicate that commercial activities testify to the pro-entrepreneurial attitude of the non-profit organization. It strives to raise funds for the implementation of a social mission not only through philanthropic funding reminiscent of social transfers, but to act and earn in an entrepreneurial way. These positive effects of earned-income activities on the process and structure of NGOs are also relatively consistent with the writings of Hughes and Luksetich (2004, p. 203), Fowler (2000, p. 125), Weisbrod (2000, p. 61), Gronbjerg (1993, p. 98), and Davis and Cobb suggest that if dependence comes from relying on a sole-source supplier, then an obvious solution is to find and maintain alternatives (2010, p. 24).

The purpose of this study is to examine the relationship between revenue diversification and size of the organization (measured by total revenues). We offer a unique contribution by addressing the gap in the literature concerning effects of revenue diversification among specific type of Polish NGOs (i.e. public benefit organizations – PBOs).

The remainder of this paper is organized as follows: in the next section, we characterize a specific type of NGO, which is the public benefit organization. It contains some quantitative data and legal conditions in which Polish PBOs operate. Then, research methodology was presented. It contains purpose, hypotheses and other details regarding tests carried out. Then, the results were presented. This section verifies the hypotheses. The discussion section develops problems signalled in the introduction section, but it is a clear explanation why the diversification of revenues (in particular from commercial sources) should be considered as a manifestation of the PBOs entrepreneurial attitude. In this section (based on the research results), it was also assumed that revenue diversification is a positive phenomenon for Polish PBOs and it is a better solution than focusing on one source of revenue. The whole article is summarized in the conclusions, in which also the research limitations are presented.

2. Public benefit organization – a specific type of the non-governmental organization

A public benefit organization (PBO) is a specific type of the non-governmental organization (NGO). It has the legal status granted by the Polish National Court Register. Non-governmental organizations, i.e. associations and foundations, as well as the church organizations and non-profit companies, including e.g. sports clubs, have the right to apply for this status (with certain restrictions). The status gives them certain privileges. The most important of these is the privilege of receiving 1% of personal income tax. Although, the status of PBO means the necessity to conduct thorough and transparent reporting. In accordance with article 23 paragraph 6 of the Public Benefit and Voluntary Service Act, every public benefit organization must submit financial statement and a substantive report on its activities by the 15th of July of the year following the year when the statements are submitted.

With the introduction of this 1% donation program to the Polish tax system, the income tax payer has obtained the right to transfer 1% of their income tax to a chosen PBO indicated by the tax payer. According to the Polish Department of Income Taxes of the Ministry of Finance, public benefit organizations were allocated PLN 875 million for 1% personal income tax in 2019. This part of the income tax is not a traditional donation or discount. By transferring this one-hundredth of income tax, you do not use your own money, but the amount that belongs to the State Treasury, but which the taxpayers can decide about the purpose of its use. Before 2008, anyone who wanted to allocate some of the tax to some public benefit organization had to calculate and transfer the tax themselves. In practice, therefore, most people did not make this effort. Therefore, the changes made in 2008 significantly increased the number of donors (it is enough now to choose the organization number from the list of public benefits organizations). So, a specific market was created in this way, which can be described as the “one percent market”. In the market, organizations entitled to receive the 1% tax compete with each other. Because of these privileges regarding sources of funding for PBOs, in the past decade the number of registered public benefit organizations in Poland has increased 4-fold from 2.2 up to 9,000. In 2015, the number of active PBOs reached 8,800, which accounted for 10% of non-profit entities in Poland. After this year, the number of public benefit organizations has stabilized, oscillating between 8,500 and 9,000 (the number of active PBOs, i.e. those submitting financial statements and actually operating is slightly smaller).

3. The research methodology

The study covered the entire population of Polish public benefit organizations. Nevertheless, some organizations were excluded from the study. First, organizations that, despite legal requirements, did not submit substantive and financial reports (which automatically excludes them from having PBO status) in the publicly available database of public benefit organizations were excluded. Secondly, organizations that have begun the process of decommissioning or were not yet registered in the system (new ones) have also been excluded from the study. Thirdly, there is one more type of exclusion, particularly relevant from a research point of view. Namely, during the analysis of substantive and financial reports of PBOs, the amount of revenues obtained from various sources was identified. The purpose of the study was to determine the degree of diversification of revenues from different sources. Therefore, it was considered that a minimum limit of PLN 500 (just over € 100) should be introduced for a specific source of revenue, which would indicate that this source was deliberately used, and this was not an incidental (even accidental) event. For example, obtaining PLN 4.5 (i.e. € 1) for interest in the bank does not mean that the organization consciously and enterprisingly earns financial activities. Therefore, there were organizations which in each source of income did not exceed PLN 500 and these organizations were also not

taken into account. It was recognized that the functioning of these organizations (despite the presence in the register) is fake and practically nothing happens in it (it is difficult to talk about any pro-entrepreneurial attitude of such kind of the organization).

Therefore, in 2015, 7616 organizations met the assumed research requirements, in 2016 - 7740, while in 2017 - 7932 organizations. It was decided to dynamically approach the analysed problem due to the fact that data from one year might not reflect the actual state of affairs (e.g. legal changes from a given year, or anomalous macroeconomic event could distort the results).

Obtaining data from the database was a tedious and long-lasting task. First, each substantive report of the organization was opened individually (there is no aggregate report available from the website of The National Freedom Institute - agency responsible for supporting civil society, public benefit activities, and volunteering, which maintains the PBOs database). Secondly, the pdf file in which the report was saved was not editable, which meant that each feature sought was saved and manually entered into an Excel spreadsheet (converting this type of file using specialized software was also impossible).

The analysed sources of revenues included:

- revenue from gratuitous public benefit activities (free-of-charge services for beneficiaries),
- paid public benefit activities for beneficiaries (the beneficiary payment service covers only the costs without profit for the organization),
- business revenues which consisted of revenues from business activities,
- other revenues (including income from financing activities).

According to paragraph 7 of Polish Act of law (April 24th 2003) on Public Benefit and Volunteer Work, a free-of-charge services for beneficiaries (revenues from gratuitous public benefit activities) are an activity for which organizations do not receive remuneration. So, revenues from gratuitous public benefit activities, organizations include, among others, received subsidies (e.g. from local government units), donations and membership fees in the case of an association.

Paid public benefit activity for beneficiaries is an activity for which organizations collect remuneration, in accordance with the conditions set out in paragraph 8 of the Act of law on Public Benefit and Volunteer Work. Fees collected from participants and recipients of the organisation's statutory activities are included as paid public benefit activities for beneficiaries. Paid public benefit activity must be a statutory activity carried out in the sphere of public benefit (i.e. it must result from the objectives enshrined in the statute and fit in public tasks of public benefit). The income from this activity is intended solely for public benefit activities. Charges (remuneration) from purchasers of services or goods (e.g. from beneficiaries, institutions, companies) cannot be higher than what results from (direct and indirect) costs of this activity (there is no margin). Paid public benefit activity becomes an economic activity (requiring registration) if the average monthly remuneration of a natural person for employment in performing statutory paid public benefit activity for the last 3 months exceeds 3 times the average monthly salary in the enterprise sector announced by the President of the Central Office Statistical data for the previous year. Both paid public benefit activity and running a business requires separated accounting. There is no formal requirement for a sub-account by an organization conducting business activity or paid public benefit activity. In the category "other revenues" (including revenues from financing activities), they are revenues not included in previous sources of income, e.g. school fees run under the Act of 7 September 1991 on the education system, revenues from the sale of fixed assets or real estate. Pursuant to a paragraph 3 of the Accounting Act of 29 September 1994, this is the category in which the organization shows revenues that cannot be qualified as a part of gratuitous or paid activities.

In connection with the research issues outlined in the paper, it was decided to put the following hypotheses:

H₁. The increase in the size of the public benefit organization is accompanied by an increase in the diversification of funding sources.

H₂. The increase in the size of the public benefit organization is accompanied by an increase in commercial financing sources.

Due to the fact that commercial sources include paid public benefit activities and business activities, the second hypothesis should be divided into two parts:

H_{2a}. The increase in the size of the organization is accompanied by an increase in revenues from paid public benefit activities.

H_{2b}. The increase in the size of the organization is accompanied by an increase in revenues from business activities.

In connection with such hypotheses, the phrase "size of the public benefit organization" needs to be clarified. The size here is measured by the total revenues obtained by organizations in a given year. Therefore, the surveyed organizations were divided into four groups (PLN 4.5 is about €1):

- Group I (large organizations) – more than 10 million PLN,
- Group II (medium organizations) – more than 1 million PLN to 10 million PLN,
- Group III (small organizations) – more than 100 thousand PLN to 1 million PLN,
- Group IV (micro organizations) – below 100 thousand PLN.

Explanation requires the recognition of paid public benefit activities and business activities as typically commercial sources (i.e. related to the entrepreneurial attitude of the organization and the need to operate on a competitive market). Business activities do not raise any doubts (these are activities related to running own business activities under PBOs). They are recorded and accounted for as classic commercial enterprises (including the need to pay income tax). In fact, paid public benefit activities do not differ in essence from business activities. In this case, you also have to serve customers who pay for the products or services received. The only difference is that the amount of payment collected from beneficiaries cannot be higher than the cost resulting from the production of these products or services. Therefore, separate records must be kept, and the earnings of specific people providing the services are limited (so that too high wages do not reduce potential profit). The similarity of both these forms (i.e. business activities and paid activities) is evidenced by the fact that as a result of making a profit from paid activities it begins to be treated as an economic activity.

Another issue that requires justification is recognizing annual revenues as the basis for dividing the organization into large, medium, small and micro units. A gross or net profit was not taken into consideration, because these organizations are not created for making profits. Therefore, the appropriate measure that allows assessing the functioning of an organization is revenues and not income (understood as revenues reduced by operating costs).

In business practice, apart from revenues, the second parameter is also used, which is the number of employees. In this case, this parameter can only be of an auxiliary nature. The surveyed PBOs largely use civil law contracts (instead of full-time jobs) and volunteering (i.e. these people are not employed, but often do useful work - just like employees). These arguments also suggest that only revenue should be used to measure the size of the organization.

Data analysis was conducted using univariate descriptive statistics associated with frequency distributions, including percentages and means, and statistical tests (including chi-square independence test and the Kruskal–Wallis tests).

4. Results

The most frequently used source of financing for public benefit organizations are gratuitous public benefit activities (subsidies, donations, membership fees, etc.). Only about 4% of organizations (slight fluctuations depending on the year) do not use this source of funding (table 1). Another most frequently used source of financing are other revenues together with financial revenues (e.g. interest on bank deposits). These revenues include the sale of property (real estate or fixed assets) and other extraordinary events that have generated any revenue for the organization. About 1/3 entities earned on the so-called paid public benefit activities for beneficiaries (it covers only the costs without profit for the organization and it is strictly controlled). However, the rarest situation was earning money as part of a classic business activity.

On average, one public benefit organization has less than 2 sources of financing used (depending on the year it was 1.82 in 2015, while in 2016 and in 2017 - 1.84). The average number of sources of revenue used increases with the size of the organization. For large organizations, there were almost 3 sources of revenues (in 2015 - 2.83, 2016 - 2.85, and in 2017 - 2.91). For the organization of the medium size, it was about 2.5 sources of revenue (in 2015 - 2.52, 2016 - 2.53, 2017 - 2.57). Small organizations used on average 2 sources (in 2015 - 2.01; 2016 - 2.02, 2017 - 2.02). The smallest (micro) organizations used less than 1.5 sources (in 2015 - 1.45, 2016 - 1.44, 2017 - 1.45). Thus, it can be seen that, along with the organization's sizes, the average number of sources of revenues decreases.

Kruskal-Wallis tests carried out for these averages indicated that the size of the organization has a statistically significant relationship with the level of diversification of the sources of revenues used.

Table 1. Sources of revenue used by public benefit organizations in 2015-2017

Source of revenue	2015	2016	2017
	N = 7616	N = 7740	N = 7932
	%		
Gratuitous public benefit activities	96.1	96.4	94.1
Paid public benefit activities	28.3	28.7	30.7
Business activities	9.5	9.7	9.9
Other activities	48.2	46.9	49.3

Source: composed by authors according to PBOs reports

Table 2 presents data showing the use of specific sources of revenues in the activities of PBOs, depending on the size of the organization. As for commercial sources of earning, you can see some progress in paid public bevnefits activities, which is not only related to the size of the organization, but also improves in subsequent years (e.g. revenues from this activity increased in 2017 compared to years previous in all groups of organizations). Unfortunately, the increase in business activities is not as consistent as in the previous case (in fact, only in large organizations there was a more pronounced increase).

Table 2. Sources of revenue used by PBOs depending on the size of the organization

Source of revenue	2015			2016			2017		
	Size	Number	Percentage	Size	Number	Percentage	Size	Number	Percentage
Gratuitous public benefit activities	Large N= 120	118	98.3	Large N= 112	111	99.1	Large N= 129	128	99.2
Paid public benefit activities		59	49.2		56	50.0		69	53.5
Business activities		51	42.5		46	41.1		56	43.4
Other activities		112	93.3		106	94.6		122	94,6
Gratuitous public benefit activities	Medium N= 1030	992	96.3	Medium N= 1058	1030	97.4	Medium N= 1146	1093	95,4
Paid public benefit activities		515	50.0		529	50		617	53.8
Business activities		248	24.1		265	25.0		287	25.0
Other activities		845	82.0		855	80.8		940	82.0
Gratuitous public benefit activities	Small N= 2736	2638	96.4	Small N= 2773	2690	97.0	Small N= 2898	2757	95,1
Paid public benefit activities		1014	37.1		1037	37.4		1101	38.0
Business activities		321	11.7		347	12.5		358	12.4
Other activities		1530	55.9		1514	54.6		1625	56.1
Gratuitous public benefit activities	Micro N= 3730	3574	95.8	Micro N= 3797	3632	95.7	Micro N= 3759	3483	92.7
Paid public benefit activities		564	15.1		597	15.7		652	17.3
Business activities		102	2.7		95	2.5		84	2,2
Other activities		1185	31.8		1152	30.3		1227	32.6

Source: composed by authors according to PBOs reports

The chi-square independence test indicated that a statistically significant correlations exists for the size of the public benefit organization and the diversification of funding sources: 2015 ($\chi^2 (9, N = 7616) = 1899.28, p < .001$); 2016 ($\chi^2 (9, N = 7740) = 1986.04, p < .001$); 2017 ($\chi^2 (9, N = 7932) = 2180.53, p < .001$). Although the strength is quite modest (Cramer's V, .288, .292 and .303 respectively).

Kruskal-Wallis tests carried out for these averages indicated that the size of the organization has a statistically significant relationship with the level of diversification of the sources of income used. This applies to all years covered by the research. For 2015, the results were as follows: $\chi^2(3) = 14.230, p < 0,001$; average rank for large

organizations = 6091.16; average rank for medium organizations = 5483.23; average rank for small organizations = 4314.57; average rank for micro organizations = 2904.29). For 2016, the results were as follows: $\chi^2(3)=1715.114$, $p<0,001$; average rank for large organizations = 3974.45; average rank for medium organizations = 3906.58; average rank for small organizations = 3893.17; average rank for micro organizations = 2963.00). For the last year analyzed (i.e. 2017), the results were as follows: $\chi^2(3)=1923.452$, $p<0,001$; average rank for large organizations = 6384.08; average rank for medium organizations = 5743.20; average rank for small organizations = 4461.06; average rank for micro organizations = 2963.00).

The comparison between pairs allows to know if there are statistically significant differences between particular groups. As can be seen from Table 3, all pairwise comparisons showed such differences. It can therefore be concluded that each of the separated groups - divided by the size of the organization to a greater extent diversifies its own sources of income along with its size. The exception here is the difference between small and micro organizations in 2015 (this means that only in this year can not be clearly identified the difference in the diversification of revenue sources between two groups of the smallest entities, although in the following years such a difference already exists).

Table 3. Pair comparison - size of the public benefit organization and diversification of revenue sources

Size of the organization Sample 1 vs Sample2	Test statistics	Standard deviation	Deviation Test Statistics	p-value	Adjusted p-value*
2015					
Large-Medium	1410.274	51.631	27.315	.000	.000
Large-Small	2578.931	72.200	35.719	.000	.000
Large-Micro	3096.864	190.235	16.279	.000	.000
Medium-Small	1168.657	74.984	15.585	.000	.000
Medium-Micro	1686.591	191.309	8.816	.000	.000
Small-Micro	517.933	197.854	2.618	.009	.053
2016					
Large-Medium	1479.420	52.052	28.422	.000	.000
Large-Small	2647.722	72.441	36.550	.000	.000
Large-Micro	3258.879	199.782	16.312	.000	.000
Medium-Small	1168.302	75.299	15.515	.000	.000
Medium-Micro	1779.458	200.836	8.860	.000	.000
Small-Micro	611.156	207.058	2.952	.003	.019
2017					
Large-Medium	1498.062	52.944	28.295	.000	.000
Large-Small	2780.199	72.269	38.470	.000	.000
Large-Micro	3351.080	191.775	17.474	.000	.000
Medium-Small	1282.136	74.735	17.156	.000	.000
Medium-Micro	1853.018	192.717	9.615	.000	.000
Small-Micro	570.881	198.896	2.870	.004	.025

Each row tests the null hypotheses about whether the distributions of Sample 1 and Sample 2 are the same. Asymptotic significance (2-sided tests) are displayed. The significance level is 0.05.

* significance values for many tests were corrected by the Bonferroni method

Source: composed by authors according to PBOs reports

Therefore, the first hypothesis has been supported.

Regarding the second hypothesis, calculations was made separately for paid public benefit activities for beneficiaries and business activities, since both these sources are considered as commercial sources. As for paid public benefit activities, the percentage of organizations using this source of income fluctuates around 50% for large and medium organizations (in 2017 it is slightly higher and reaches almost 54%), after which it drops to 37% -38% (depending on the year) for small organizations, while for micro organizations it amounts to 15% - 17% depending on the year. Thus, it can be seen that the increase in the size of the organization is accompanied

by an increase in the use of paid public benefit activities for beneficiaries as a source of revenue. This is also evidenced by Kruskal-Wallis tests carried out for individual averages, which indicate that the size of the organization has a statistically significant relationship with the use of paid public benefit activities as a commercial source of earning. This applied to all years covered by the research. For 2015, the results were as follows: $\chi^2(3) = 688.125$, $p < 0,001$; average rank for large organizations = 4604.77; average rank for medium organizations = 3308.29; average rank for small organizations = 4143.80; average rank for micro organizations = 4636.50). For 2016, the results were as follows: $\chi^2(3) = 674.706$, $p < 0,001$; average rank for large organizations = 4696.00; average rank for medium organizations = 3369.48; average rank for small organizations = 4208.24; average rank for micro organizations = 4696.00). Finally, for 2017, the results were as follows: $\chi^2(3) = 706.732$, $p < 0,001$; average rank for large organizations = 4868.35; average rank for medium organizations = 3434.90; average rank for small organizations = 4253.75; average rank for micro organizations = 4882.27).

Regarding the first source of revenue included in the group of commercial revenues (paid public benefit activities), it can be stated that there is no significant statistical difference between the two groups of the smallest entities (i.e. small and micro organizations). This applies to the entire period of analysis (i.e. each specified year – Table 4). It can therefore be concluded that in the case of paid public benefit activities, the division into small and micro organizations cannot be justified - they can be considered as behaving similarly in terms of using this source of revenue.

Table 4. Pair comparison - size of the public benefit organization and utilization of paid public benefit sources of revenues

Size of the organization Sample 1 vs Sample2	Test statistics	Standard deviation	Deviation Test Statistics	p-value	Adjusted p-value*
2015					
Large-Medium	835.504	43.160	19.358	.000	.000
Large-Small	1328.206	60.354	22.007	.000	.000
Large-Micro	1296.473	159.023	8.153	.000	.000
Medium-Small	492.702	62.681	7.860	.000	.000
Medium-Micro	460.968	159.921	2.882	.004	.024
Small-Micro	-31.733	165.392	-.192	.848	1.000
2016					
Large-Medium	838.760	43.719	19.185	.000	.000
Large-Small	1326.522	60.844	21.802	.000	.000
Large-Micro	1326.522	167.799	7.905	.000	.000
Medium-Small	487.762	63.245	7.712	.000	.000
Medium-Micro	487.762	168.684	2.892	.004	.023
Small-Micro	.000	173.911	.000	1.000	1.000
2017					
Large-Medium	818.847	45.244	18.098	.000	.000
Large-Small	1447.368	61.759	23.436	.000	.000
Large-Micro	1433.445	163.885	8.747	.000	.000
Medium-Small	628.521	63.866	9.841	.000	.000
Medium-Micro	614.597	164.691	3.732	.000	.001
Small-Micro	-13.923	169.971	-.082	.935	1.000

Each row tests the null hypotheses about whether the distributions of Sample 1 and Sample 2 are the same. Asymptotic significance (2-sided tests) are displayed. The significance level is 0.05.

* significance values for many tests were corrected by the Bonferroni method

Source: composed by authors according to PBOs reports

Therefore, the 2a hypothesis has been supported.

Regarding revenues from business activities, the percentage of organizations using this source of revenue ranges around 41% -43% for large organizations, 24% -25% for medium, 11% -12% for small and 2% -3% for micro. The differences in the frequency of using business activity depending on the size of the organization are also

confirmed by Kruskal-Wallis tests carried out for individual averages. As in the previous case, it applies to all analyzed years. For 2015, the results were as follows: $\chi^2(3) = 622.108$, $p < 0,001$; average rank for large organizations = 5006.90; average rank for medium organizations = 4364.38; average rank for small organizations = 3894.27; average rank for micro organizations = 3551.63). For 2016, the results were as follows: $\chi^2(3) = 658.177$, $p < 0,001$; average rank for large organizations = 5083.46; average rank for medium organizations = 4463.33; average rank for small organizations = 3978.27; average rank for micro organizations = 3590.83). While, for 2017 the results were as follows: $\chi^2(3) = 724.340$, $p < 0,001$; average rank for large organizations = 5286.67; average rank for medium organizations = 4567.23; average rank for small organizations = 4063.93; average rank for micro organizations = 3662.63).

Taking into account business activities, it can be stated that statistically significant differences in the use of this source of income can be proved in all years and in all groups (Table 5). It can therefore be concluded that regardless of the period and regardless of whether large, medium, small and micro organizations are involved, there are differences in the frequency of doing business by these entities. Business activities can be considered the most pro-entrepreneurial activities of public benefit organizations. Conducting such activities does not differ formally from classic enterprises. Of course, nonprofit organization customers may be aware that they support the organization's mission through purchases (often this may prompt them to buy products or services). Nevertheless, in terms of labor law, tax regulations, registration obligations and other regulations, PBOs and for-profit organizations are treated the same.

Table 5. Pair comparison - size of the public benefit organization and utilization of business sources of revenues

Size of the organization Sample 1 vs Sample2	Test statistics	Standard deviation	Deviation Test Statistics	p-value	Adjusted p-value*
2015					
Large-Medium	342.639	28.081	12.202	.000	.000
Large-Small	812.745	39.267	20.698	.000	.000
Large-Micro	1514.267	103.464	14.636	.000	.000
Medium-Small	470.106	40.782	11.527	.000	.000
Medium-Micro	1171.628	104.048	11.260	.000	.000
Small-Micro	701.522	107.607	6.519	.000	.000
2016					
Large-Medium	387.447	28.650	13.523	.000	.000
Large-Small	872.502	39.872	21.882	.000	.000
Large-Micro	1492.638	109.962	13.574	.000	.000
Medium-Small	485.056	41.446	11.703	.000	.000
Medium-Micro	1105.191	110.543	9.998	.000	.000
Small-Micro	620.135	113.968	5.441	.000	.000
2017					
Large-Medium	401.308	29.278	13.707	.000	.000
Large-Small	904.605	39.965	22.635	.000	.000
Large-Micro	1633.049	106.054	15.398	.000	.000
Medium-Small	503.297	41.329	12.178	.000	.000
Medium-Micro	1231.741	106.575	11.557	.000	.000
Small-Micro	728.444	109.992	6.623	.000	.000

Each row tests the null hypotheses about whether the distributions of Sample 1 and Sample 2 are the same. Asymptotic significance (2-sided tests) are displayed. The significance level is 0.05.

* significance values for many tests were corrected by the Bonferroni method

Source: composed by authors according to PBOs reports

Therefore, the 2b hypothesis has been supported.

5. Discussion

From economic point of view, the diversification of revenues in non-governmental organizations seems to be a rational strategy. It is a chance to increase the revenues, strengthen the stability and predictability of NGOs' functioning (Mikołajczak, 2018, p. 774). The literature on the functioning of the third sector highlights the benefits of diversifying the sources of funding for NGOs (as mentioned in the introduction section). Among these advantages, it is mentioned that greater number of revenue sources is associated with lower probability of financial vulnerability (eg Despard, Nafziger-Mayegun, Adjabeng, Ansong, 2017, p. 2138; Silva, Burger, 2015, p. 17; Hodge, Piccolo, 2005, p. 171), which is defined as an organization's susceptibility to financial problems that interfere with fulfilling their mission (Tevel, Katz, Brock, 2015, p. 2502). Other authors emphasize the relationship between revenue diversification and stability (e.g. Froelich 1999, p. 246; Hager 2001, p. 376; Mozos Duarte, Ruiz, 2016, p. 1). This approach is based on the idea that a non-governmental organization, which generates revenue relatively equally from private donation, government grants, earned income, and investment income might be more financially sustainable than one that relies on a single funding source (Zhu, Ye, Liu, 2018, p. 1176). Therefore, it should be noted that the conducted research pays special attention to the advantages of obtaining revenues from commercial sources. However, there are also opinions that focusing on commercial sources of revenue has its pros and cons. Arguing against the use of commercial sources, it is emphasized that nonprofit organizations are becoming too much like for-profit enterprises, while losing their social mission. When nonprofit organizations are engaged in businesses that are not central or even related to their mission, they could face the issue of "mission-drift" or 'mission creep' (Mitchell, 2014, p. 79). Indeed, too large share of commercial revenues in the total income pool may cause nonprofit organizations to become similar to commercial enterprises. However, carefully matching revenue types and sources can strengthen the independence and degree of implementation of a social mission. In addition, the acquisition of commercial sources of financing by nonprofit organizations demonstrates its resourcefulness and entrepreneurship. Both public and private donors are more willing to help, seeing that the organization is trying to get additional income by offering specific values on the market, and not just "reaching out" for donations. The fact that people are more likely to help other people who are trying to get out of a difficult situation is also relevant to the world of organizations. This means that organizations that are more entrepreneurial and strive to be active in the market are better perceived by donors. Thus, a pro-entrepreneurial approach may also have a positive marketing effect in the efficient acquisition of finances from non-commercial sources. Moreover, NGOs diversifying their sources of revenue can protect own flexibility and autonomy. Thus, the entrepreneurial attitude of these organizations goes far beyond purely economic factors. Independence (which is difficult for one donor, regardless of whether it is a private or public donor) of nonprofit organization is one of the basic conditions for a reliable and honest implementation of the mission and bridging the gap between the public sector and the private commercial sector.

Summing up the conducted research proves that the diversification of revenue sources is conducive to the functioning of Polish public benefit organizations. Better functioning is understood as having more revenue that can be allocated to the implementation of the social mission, which is specified in the statutes of each organization. The research did not cover the topic of improvement or deterioration of efficiency obtained using specific sources of financial resources. Such issues should be studied using a different methodology than the classic ratio analysis from financial statements used for classic enterprises. Such analysis includes parameters such as gross profit, net profit, cash, etc. In the case of PBOs, such analysis would be a distortion of the assessment of the organization's functioning, because maximizing profits, high liquidity ratios, etc., would even contradict the idea of the functioning of this type of organization. That is why PBOs were forced to be transparent and obligate to publish substantive and financial reports and other additional information so that the organization's mission could be reliably assessed, and not just its financial standing. Therefore, effective social control is assumed here, e.g. donations made by donors or services purchased by clients are the result of the fact that these organizations transfer most of their money to statutory activities (mission) and not to employees' remuneration.

Specific organizations and individuals appreciate pro-entrepreneurial attempts to raise funds in a commercial manner and if the offered products or services are of satisfactory quality, they become loyal customers.

Conclusion

One of the ways to diversify a non-profit organization's revenues is to obtain them from a commercial sale of goods and services in return for payment (Mikołajczak, 2018, p.765). So, running a business (in this paper it is called business activity) or activity similar to running a business (in this paper it is called paid activity) is described as a manifestation of PBOs commercialization and entrepreneurial attitude. Research has confirmed that using various sources of earning (including commercial) is profitable in terms of maximizing revenues. In Polish PBOs conditions it is therefore a better strategy than focusing on one source.

While we believe our findings and recommendations are important for the Polish and foreign third sector, we acknowledge the study's limitations. Mainly, the division between large, medium, small and micro organizations was subjectively established. In Polish law, there is only a division into smaller and larger organizations, set at PLN 100.000 revenue per year. Organizations that exceed this threshold must submit full (more complex) reports, while those with revenues less than PLN 100.000 may submit simplified reports. For the purposes of this research, these organizations were considered micro-organizations. They constitute almost half of the entire surveyed population. However, the other divisions were not made according to some logical indicator. It seems that dividing into micro, small, medium and large organizations requires separate conceptual work and research that would convincingly confirm the division.

Another limitations is the period under consideration (2015-2017). To confirm that the relationships studied are of a long-term nature, the period 2012-2014 could be examined. However, it would have a historical significance above all. Therefore, it will be much more desirable to conduct research covering the 2018-2020 period. There are already (for several months) data available for 2018 (documentation analysis of over 8,000 PBOs has already begun). However, data for 2019 will be available in the second half of 2020. Therefore, confirmation of the trends presented in the article will be possible only at the end of 2021. Then it will be possible to validate the research results presented in this article. Besides, we only examined the frequency of use of revenues sources. The research did not take into account the amount of sums obtained from individual sources (except for the fact of excluding from the research sources whose income was below PLN 500). Research not only taking into account the frequency, but also the value of funds obtained from individual sources, could bring additional cognitive value regarding the importance of diversifying revenues sources and using commercial revenues to implement missions. The last key study limitation includes the fact of collective recognition of "other sources of revenues". This is a collective group, from which revenues are rather incidental, but in this group you can probably find some specific "entrepreneurial sources". To examine it, one should analyse these sources, which is very difficult (in PBOs reports there is no analytics to this collective source of revenues). Therefore, this source cannot be unequivocally considered as "entrepreneurial income" in its entirety, but you should be aware that in some cases this could be justified.

The identified limitation sets the direction for further in-depth research. First, it would be useful to extend the analysis period to capture long-term trends. Secondly, sources of revenue should be more precisely defined (especially in relation to other activities). In addition, it would be advisable to conduct qualitative research (e.g. in the form of case studies) as a supplement to the quantitative research presented in this paper.

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