

# **AFAANZ 2020-2021 Grant Report AF006807**

## **(1) Project Title:**

**Financial and service performance challenges arising from climate change-induced natural disasters: Evidence from Australian and New Zealand charities**

## **(2) Names of Researchers**

Dr Hoa Luong, Lecturer, Department of Accountancy and Finance, University of Otago, New Zealand

Dr Mukesh Garg, Senior Lecturer, Department of Accounting, Monash University, Australia

Dr Christofer Adrian, Lecturer, Department of Accounting, Monash University, Australia

## **(3) Funds Granted and the Category of Grant Involved**

\$6,500 (Mentoring developing researchers)

## **(4) Project Summary (500 words)**

This research investigates the preparedness of charities in Australia and New Zealand in facing climate change-related natural disasters and assess how climate change affects their financial and service performance. Australian and New Zealand charities make up a significant sector of both countries' society and economy. These charities are facing unprecedented challenges resulting from recent climate change-related natural disasters and the economic crisis due to COVID-19, which significantly impact their ability to collect donations and operate efficiently. This research provides useful insights into the crisis management plan of charities and assists them in managing the risks. The key research question it addresses is:

**How do Australian and New Zealand charities prepare for climate change-related disasters and how do these events affect financial and service performance of charities?**

This study's analyses:

- **Data on natural disaster events** – data on natural disaster events were hand collected from multiple sources for Australia and New Zealand. We use data on natural disaster events from 1918 to 2020 for Australia and New Zealand based on individual states in Australia and segregation based on North and South Island in New Zealand. The disaster events include drought, bushfire, flood, heatwaves, earthquake, volcanic eruption, health disaster, insect infection, landslide, and storm. Data on the total number of deaths and economic damage were combined to measure the level of intensity of natural disasters.
- **Identification of major charities and financial information** - For Australia and New Zealand, we use financial data for charities from 2013 to 2018 used for the study.
- **Survey data** – the survey data is from 250 responses. The respondents primarily include donors to the charity, beneficiaries, auditors, paid employees, preparers of financial reports or service performance reports, senior managers, and volunteers.

This research makes three important contributions to charities and accounting research and practice. First, we advance our understanding of the effect of climate change-related events on financial and service performance of charities and thus provide empirical evidence to assist charities in designing their strategies in managing and mitigating the risks. Second, we highlight the importance of charities' preparedness for climate-related disasters by uncovering the drivers of charities' preparedness and the public trust and confidence of donors, thereby documenting the potential widespread effect when climate-related disasters coincide with economic crises. Third, this research interests relevant stakeholders, such as managers, auditors, recipients, volunteers, and donors. The findings of this study will also support the regulators' initiatives to improve financial reporting quality in the not-for-profit sector.

## **(5) Research outcomes**

The main outcome of this project is a working paper in which we have completed an initial review and key findings from analysing survey data and the analysis of financial data and impact of a disaster on charities from financial data.

We are confident that we will have the paper to be submitted for conference presentation and for publication in a high-rank journal in 2022 (A\* or A).

**(6) Funds utilisation:**

The total AU\$6,500  $\approx$  NZ\$6,985 was allocated as below:

<b>No</b>	<b>Items</b>	<b>Amount</b>
1	Data on natural disaster events	NZ\$1042.44
2	Identification of major charities	NZ\$1496.64
3	Collection of financial data	NZ\$1,389.92
4	Collection of survey data, survey data compilation, and administration	NZ\$3,056
	<b>Total</b>	<b>NZ\$6,985</b>
	<b>Variance</b>	<b>NZ\$0</b>