ACCOUNTABILITY AND TRANSPARENCY IN THE NONPROFITS: EVIDENCES FROM ONLINE CROWDFUNDING DURING COVID-19 PANDEMIC

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Abstract: *Through accountability, organizations provide key information for stakeholders enabling the latter to make an informed assessment of organizational performance. To achieve transparency, organizations must make information accessible and timely. During the crisis, as in the COVID-19 pandemic period, accurate accountability and transparency practices are most necessary so stakeholders can make informed decisions in an ongoing complex emergency. This study uses data available in an online crowdfunding platform to investigate to what extent are nonprofits implementing accountability and transparency policies regarding applications for funds published during the COVID-19 pandemic. A case study methodology is applied for providing evidence that nonprofits are not timely implementing transparency policies regarding fundraising campaigns. Nevertheless, results identify, in some cases, innovative accountability practices which impact funds raised must further be analyzed. These findings open up further investigations on the accountability of nonprofits during the crisis and on the online organizational transparency regarding fundraising.*

Keywords: *COVID-19, Accountability, Transparency, Nonprofits. Crowdfunding.*

1.   INTRODUCTION

Nonprofits are different from other private organizations, namely in their goals – this is not to generate profit with their activities. This condition makes it difficult to find saving plans in these sector organizations. Indeed, operating reserves were found scarce among nonprofits, possibly because nonprofits are evaluated on how they spend money (Calabrese 2013).

In the context of the COVID-19 pandemic, nonprofits have seen their revenues decline (Deitrick et al. 2020). Several nonprofits decreased the number of services provided, but others were called to keep working in order to respond to the hard social and economic conditions people were living in, as a consequence of lockdown policies. In this financially challenging environment, fundraising campaigns are crucial initiatives for supporting nonprofits so they can keep their projects.

Donors behavior rely on the trust they have on nonprofits to meet their social goal. To continuously earn the public's trust, transparency and accountability practices have proved to be necessary. In this specific context of COVID-19 pandemic, in which work from home and lockdown policies made people to socially interact through online platforms, promoting transparency and accountability practices require being online, namely through official websites.

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Given the above, this study aims to contribute to the understanding of the accountability and transparency practices in place by the nonprofits during the COVID-19 pandemic, considering the claim for online proximity as a consequence of physical distancing rules. In this sense, the following research questions were formulated:

Research question 1: To what extent are nonprofits disclosing fundraising practices on their official websites during the COVID-19 pandemic?

Research question 2: Are nonprofits implementing accountability practices on their official websites during the COVID-19 pandemic?

A multiple-case study was conducted, comprising an in-depth analysis of the information disclosed on the nonprofit's websites with active campaigns, in a popular online crowdfunding platform. The results from five nonprofits provide academics with insights on the preparedness of nonprofits for accountability and transparency through electronic means, allowing to further investigate the level of adoption of such practices in a financial crisis scenario.

2.   LITERATURE REVIEW

Nonprofits rely on the public trust to conduct their projects. Previous studies have proved that organization's reputation and donor's familiarity with the sector influence donor trust positively (Torres-Moraga et al. 2010). Theoretical contributions also reveal that reputation is a key piece of information in the decision to fund the activities of nonprofits, which makes reputation a survival factor (Gent et al. 2015). Thus, these organizations may be more consciously aware of their reputation.

Becker (2018) demonstrated that accountability practices in this sector can lead to a higher reputation for nonprofits. Accountability has been largely addressed in the nonprofits related literature, especially when investigating the governance relationship with stakeholders (Santos et al. 2020).

Past research has demonstrated that transparency practices relate to higher levels of trust and positive behavioral intentions of stakeholders (Auger 2014). Transparency also affects donations in a way that high levels of transparency can represent more revenues for nonprofits (Deng et al. 2015). Considering such evidence, it is not surprising that nonprofits' stakeholders ask for more transparency about their fundraising and spending (Ebrahim and Rangan 2010; Liket and Maas 2015).

To become transparent, nonprofits may disclose basic information in respect to the organization, but also governance, finance, and activity. In order to disclose such information, accountability practices need to be in place, including planning, monitoring, and evaluation; or learning from successes and failures (Kirsch 2016).

The COVID-19 pandemic is challenging all economic sectors, especially regarding financial management. This challenge is huge in nonprofits, which traditionally struggle to have financial balance. Preliminary studies provide evidence that nonprofits have had declining revenue over the first lockdown (Deitrick 2020). Nonetheless, the need for nonprofits services continues to grow considering the social and economic impact of the COVID-19 pandemic. In the challenging social and economic pandemic context, it is relevant to understand the transparency and accountability practices in place by nonprofits.

3. METHODOLOGY

The research questions formulated in the previous section were addressed by identifying active fundraising campaigns on GoFundMe website, a very popular online crowdfunding platform. On this website, nonprofits' fundraising projects were filtered and five top campaigns were selected considering the high amount of money requested. The selected projects are identified in Table 1.

Table 1. Identification of the fundraising campaigns

Name of the campaign	Name of the organization that benefits from the funds	Amount of funding goal
Help Lebanon with Rony Seikaly	Social & Economic Action for Lebanon, Inc.	$600,000
Covid-19 Mutual Aid Network - Los Angeles	People Organized For Westside Renewal	$500,000
Cut Red Tape 4 Heroes –PPE for Those in Need	Art Science Research Laboratory Inc.	$1.0M
G's NHS Zwift Shifts	Association of NHS Charities	£100,000
College Fund for African American Students	Thurgood Marshall College Fund, Inc. (TMCF)	$350,000

Source: GoFundMe.com, March 2021

In order to investigate the nonprofits' transparency practices, the official websites of each of the nonprofits beneficiary of the fundraising campaign were visited and the information available about the campaign were collected. In this phase, occurring in March 2021, also, the accountability practices were analyzed. In this regard, the analysis of the information disclosed on the website was focused on the identification of the tools for monitoring and evaluating the level of success and failure in applying the funds.

In this sense, this study applies a qualitative case study methodology. Indeed, this was found as the accurate method for responding to the research questions formulated, insofar as it enables to conduct an in-depth exploration of the accountability and transparency practices on the nonprofits' website within this specific context of the COVID-19 pandemic (Rashid et al. 2019).

4. RESULTS

As a result of the visiting to the nonprofits' official websites, information regarding accountability and transparency was collected. The data collected was divided into areas: financial statements, information on the impact of the projects conducted, identification of the fundraising campaigns, and the people supported by their activities. The description of the information found on the nonprofits' official websites is presented in Table 2.

Table 2. Description of the information found on the nonprofits' official website

Name of the nonprofits	Financial statements	Impact of its activity	Identification of fundraising campaigns	People supported
Social & Economic Action for Lebanon, Inc.	Very detailed and easy to find	Very detailed on the project impact and social and economic change resulting from projects	Very detailed on the number of fundraising campaigns, funds raised and dates	Very detailed on the number of beneficiaries and supported community. Beneficiaries' testimonials are also provided.
People Organized For Westside Renewal	Not found	Generic information on the projects conducted	Not found	Generic information on the projects conducted

Art Science Research Laboratory Inc.	Not found	Very detailed on the project impact and social and economic change resulting from projects	Not found	Very detailed on the number of beneficiaries and supported community
Association of NHS Charities	Not found	Very detailed on the project impact and social and economic change resulting from projects	Disclosure of the fundraising campaigns and funds raised. Also impact reports for specific campaigns are provided.	Very detailed on the number of beneficiaries and supported community. The grants distributed per beneficiary is disclosed.
Thurgood Marshall College Fund, Inc. (TMCF)	Very detailed and easy to find	Very detailed on the project impact and social and economic change resulting from projects	Very detailed on the identification of the fundraising campaigns and channels to donate.	Very detailed on the number of beneficiaries and supported community. Beneficiaries' testimonials are also provided.

On all websites, it was possible to find a donate button, so visitors can donate to the nonprofits. Based on the data collected, the research questions were addressed.

Regarding research question 1, on the five websites visited, three nonprofits disclose information on the fundraising campaigns conducted along the time. In fact, in some cases (e.g., Social & Economic Action for Lebanon, Inc.) the fundraising campaigns are detailed by dates and funds raised. Also, nonprofits sometimes produce impact reports for specific campaigns, making stakeholders acknowledge the number of people supported and their impact on their lives.
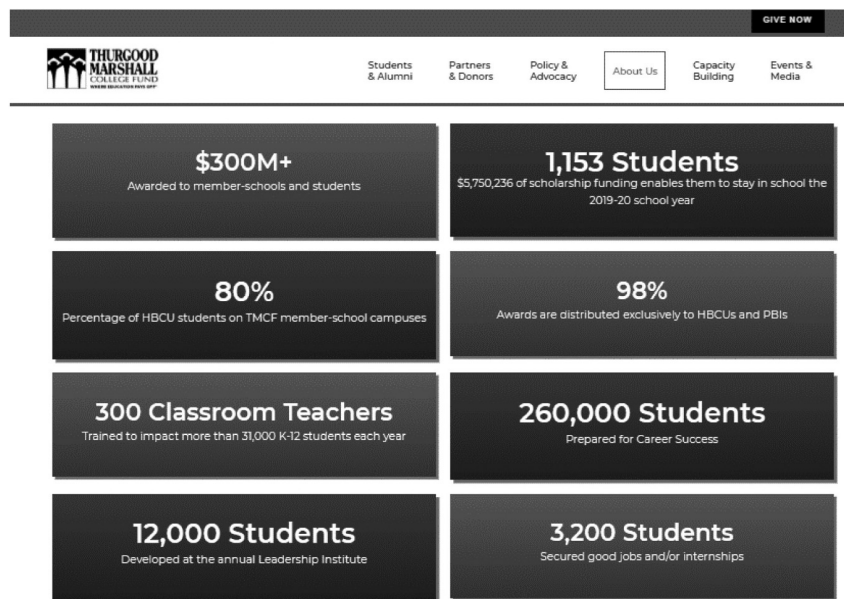
Figure 1. Dashboard for assessing the impact of TMCF activities
Source: TMCF's website, accessed in March 2021

Nonetheless, in two of the fifth cases analyzed, it was not possible to find the information regarding fundraising campaigns conducted. Even in this case, the visitor can donate funds for the nonprofits, through a link to PayPal platform or GoFundMe online crowdfunding platform.

Regarding research question 2, accountability practices were investigated. The dataset collected includes information on financial statements, the impact of its activity, or people supported. Results show that financial statements are not commonly disclosed by nonprofits. In fact, in the three case studies conducted, only on two websites was possible to find the financial statements.

In regards to the assessment of the impact of the projects conducted by the nonprofits, this is a practice significantly implemented by the nonprofits. Indeed, it was possible to confirm that all the nonprofits websites in the dataset have disclosed information in this regard. It is important to mention that in the majority of the cases, the information regarding the impact of nonprofits activity is very detailed and the stakeholders can have an in-depth assessment of different perspectives of assessment of impact. For instance, TMCF provides impact assessment regarding the number of students that secured good jobs, were prepared for career success, or trained, among others. This impact assessment is provided through a dashboard of impact indicators (Figure 1).

The same results were obtained when collecting data from nonprofits' websites regarding the people that benefit from their activity. The nonprofits disclosed information on the number of people supported, provides the amounts of grants delivered, and also a testimonial of beneficiaries' life change experience is shared.

5.   FUTURE RESEARCH DIRECTIONS

Further research could investigate how innovative practices on accountability (e.g., dashboards) can be related to the amounts of funds raised in online crowdfunding platforms.

6.   CONCLUSION

This multiple-case study analyzed five websites from nonprofits with ongoing campaigns in a popular online crowdfunding platform. Accountability and transparency practices conducted by these nonprofits were collected and analyzed through qualitative methods.

The results show evidence that nonprofits are not timely implementing transparency policies regarding fundraising campaigns. Nevertheless, results identify, in some cases, innovative accountability practices which impact funds raised must further be analyzed.

From a practitioner's point of view, benchmarking could be in place by nonprofits so they can acknowledge and implement transparency and accountability practices in order to produce superior results in terms of fundraising.

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