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Assessing the relation between accountability, performance and donation levels: A view from the Dutch NGO sector

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Statement of Originality

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Preface

This master thesis marks the end of my master in Accounting and Control at University of Amsterdam. Back in January 2017, I chose to write my thesis about NGOs because of my personal interest and prior personal experiences in this sector.

My interest in NGOs and social enterprises has arisen since I was sixteen years old. At the time I was given the opportunity through an NGO project named 'Fundashon Bon Intenshon' to transfer from Curaçao to the Netherlands to further develop myself in the social and sports field at the professional soccer school of NEC/Fc Oss. This foundation provides different scholarships and public benefits to the less advantaged people on the island, so that they can further develop their talents and maximize their potential. As this opportunity has been so crucial to my development as a person, my goal has always been to develop sustainable programs and businesses that could create long term value for society and in particular those in need.
By researching the NGO-donor relationship I felt that I could gain more insight into my field of interest.

My appreciation goes to the staff of 'Centraal Bureau Fondsenwerving' (CBF) for providing me with the necessary dataset for me to do this research. I also would like to thank 'Fundashon Bon Intenshon' for all the help they have given me throughout the years. Moreover, I would like to show my gratitude to my thesis supervisor prof. dr. B.G.D. O'Dwyer for challenging me in the process and providing me with insightful vision regarding this topic throughout his sustainability lectures. Similarly, I would like to thank my student colleagues for their collegiality throughout the academic year.

Lastly, a special thank-you goes to my family, host family and close friends who have been there for me from day one. You have been such a great source of inspiration and motivation and hopefully one day I can make you proud.

I hope you may read this thesis with the same pleasure as I had writing it.

Your sincerely,

Timothy Nahr

Abstract

Purpose: The aim of this thesis is to examine the relation between accountability, performance and donation levels in the Dutch NGO sector. Hereby to see if a higher level of accountability would influence NGO performance and whether higher accountability leads to a significant increase in donations. If not, the NGOs find themselves in a reputation trap for no reason. The main research question is: What are the effects of accountability on NGO performance and donation levels?

Design/methodology/approach: To answer the research questions and the sub-questions a quantitative research is conducted. First the relevant scientific literature is discussed to get an insight on the different notions. Afterwards, the collected data is statistically tested and the results make it possible to answer the research question. The data sample consist of Dutch NGOs with a CBF certification mark, who participated in the Transparency prize in the year 2011-2015.

Findings: Based on the regression results it can be concluded that donors pay more attention to the efficient usage of program funds than to administration and fundraising costs. Also there is no evidence found that higher accountability leads to a higher NGO performance. Furthermore, there is no significant positive relation found between accountability and donation levels. It could be stated that the Dutch NGO sector lies in a reputation trap for no reason as the donors don't seem to be interested in more transparency.

Originality/value: The literature review identified a lack of empirical data available on accountability within NGO contexts; this study tries to fill that gap.

Limitations: Not all Dutch NGOs participated in this study, only NGOs with a CBF certification mark. Although transparency is the literal value of accountability, the proxy used to measure accountability (namely the transparency prize), might not capture all aspects of accountability.

Keywords: *Accountability; Non-governmental organization (NGO); Donation; Performance.*

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1. Introduction

Due in part to a series of highly publicized scandals or failures by non-governmental organizations (NGOs) to live up to public expectation, the confidence level in NGOs has declined over the past decade (Ebrahim, 2009). Following an increased demand to prioritize improvement of accountability within the international aid agenda (OECD, 2011) and transparency emerging as a key aspect of good development (OECD, 2012), this paper examines the relationship between accountability, performance and donation levels in the Dutch NGO sector. The objective of this study is to determine whether performance can be improved when having a higher level of accountability and whether these factors significantly effects the donation levels (donors are crucial for the survival of NGOs).

Over the last decade there has been a dramatic growth in the number of NGOs, such as those involved in development aid, in both developed and developing countries. Many NGOs are prominent in attempts to improve the lives of disadvantage people and have traditionally been deemed more trustworthy than governments and corporations (O'Dwyer & Boomsma, 2015).

Public funds being spent through NGOs has grown dramatically and the proportion of development aid going through NGOs has also increased. Because of the large increase in public funds going through these organizations, NGOs have become subject to much more critical scrutiny regarding their accountability by the stakeholders (Unerman & O'Dwyer, 2006a). Most academic studies related to accountability focus on businesses. However, NGO accountability has gotten increasing attention in recent years (Unerman & O'Dwyer, 2006a).

Associated with this growth has been a growing concern about identifying the achievements of NGOs. Therefore, performance measurements to asses NGOs effectiveness are becoming more important. The importance of performance measurements is evident in the literature on the monitoring and evaluation of the activities in non-profit organizations (NPOs) (Kaplan, 2001; Beamon & Balcik, 2008). Research by ING (2016) on the NGO-donor relationship in the Netherlands, indicated that a lack of trust due to slow economic growth after the last financial crisis, led donation levels to stagnate over a long period of time. Therefore, a higher level of transparency is needed to regain this trust. O'Dwyer & Unerman (2008) stated that the competitively driven, donor dominated NGO world, now seeks greater external accountability

mechanisms to achieve this level of transparency. While competing against the other NGOs, transparency is crucial to maintain a share in the tight funding budget.

NGOs are NPOs that exist to provide a public benefit. They can be categorized as an intermediary between donors (who provide resources, usually in the form of time or money) and beneficiaries (who are the recipients of the benefit being provided) (Hyndman & McDonnell, 2009). This research focuses on NGOs in the Netherlands, as the Netherlands is in the top 10 of the most generous countries according to the World Giving Index 2015. It has also been widely credited with leading international efforts to assess the quality and effectiveness of development aid. The Dutch government has consistently stressed the need to focus on assessing the results of development aid efforts, most recently in the context of the UN' s Millennium Development Goals (MDGs) (Ruben & Schulpen, 2009).

Accountability involves explaining what you have done and taking responsibility for your actions (Unerman & O'Dwyer, 2006b). It thus follows that NGO performance must be judged from the perspectives of those who affect or are affected by the organization's behavior (Mitchell, Bradley, & Wood, 1997). Most importantly, these stakeholders are those who contribute to the NGOs survival. Moreover, there are cases of misused of funds by NGOs, for example, in a humanitarian aid NGO in Syria, which was founded bribing ISIS officials in order to continue working in territory under the Islamic State's control. These scandals would trigger calls from donors, demanding larger accountability and transparency from the whole NGO sector. A lack of accountability might not only be harmful for the involved NGOs, but also for the sector as a whole, as it can lead to a reduced public support for all NGOs (Steinberg, 2006).

The Netherlands as one of the leading giving countries, has paid a lot of attention to accountability in recent years. An organization who focusses on the transparency in the Dutch NGO sector is the 'Stichting Centraal Bureau Fondsenwerving' (CBF). CBF monitors the NGO sector and provide certification marks based on specific criteria. With this certification mark, NGOs can signal their good behavior to the market. Additionally, the website 'Goede doelen monitor', founded in the Netherlands, provides information about NGOs to help donors find an organization that best suits them.

1.1 Research question

As stated earlier, scandals and the misuse of funds by NGOs would trigger calls from donors, demanding larger accountability and transparency. Research by ING (2016) showed that donations are often based on the reputation and thus the performance of an NGO. As these elements have become crucial for the donation levels, NGO managers have incentives to perform well. Therefore, understanding NGO accountability mechanisms and the relationship with donation levels and performance measurement is important for NGO managers.

NGOs need donors to survive and donors need NGOs to implement shared policy goals (Gent, Crescenzi, Menninga, & Reid, 2014). According to Gent et al. (2014), as much as donors want to provide NGOs with resources to help them achieve their missions, they are also concerned with the quality of their investments. Due to the uncertainties regarding quality of the individual NGOs, donors want guarantees that the resources they provide are being used effectively. As NGOs know that donors try to invest in NGOs that have demonstrated their quality, NGO managers have an incentive to focus their efforts on short term achievements that are easily attributable to the NGO. Even when the activities differ from the overall mission of the NGO, the NGO may feel to divert resources to consistent and public demonstrations of tangible assets in order to preserve funding. Herein lies a reputation trap (Gent et al., 2014). Some studies have acknowledged that implementing inappropriate accountability mechanisms can damage, instead of enhance the benefits NGOs seek through their projects (Ebrahim, 2003a; Ebrahim, 2003b; Unerman & O'Dwyer, 2006b).

Accordingly, the emerging dominance of upward accountability to donors at the possible expense of more accountability to a broader range of stakeholders, especially beneficiaries, has created concerns that NGOs' accountability priorities are being distorted (Ebrahim, 2005; Ebrahim, 2003a; O'Dwyer & Unerman, 2007). But is it beneficial for NGOs to settle for non-durable outcomes? And is the effect of accountability on the donation levels significant?

The aim of this study is to analyze whether a higher level of accountability would influence the level of performance of an NGO and whether this higher accountability leads to a significant increase in donations. If not, would the NGOs be better off freeing themselves from the reputation trap and focusing on durable impact? Based on these aims, the following research question was formulated:

RQ: *What are the effects of accountability on NGO performance and donation levels?*

1.2 Motivation for study

This research definitely has social and practical relevance. It aims to contribute to prior research on NGO accountability by filling the gap caused by limited evidence about the relationship between accountability, performance, and donation levels for NGOs. This research directly responds to calls to examine the emergence of accountability within development NGO contexts (see, Ebrahim, 2009; O' Dwyer & Unerman, 2008). Secondly, prior studies also focused on accountability and performance evaluation in NGO's separately. Third, as funds are a key point of survival, a higher performance should lead to a higher donation levels. As the actions of these NGOs can have a substantial effect on the lives of others, both directly and indirectly, by studying both types of relationship in the same research, a better understanding is obtained of the relationship between accountability, performance, and donation levels. Lastly, the new Dutch financing scheme (MFS 2) covering the funding period of 2011-2015, could have had an effect on how accountability is viewed in society and how the NGOs implement it in practice. Therefore, examining the relationship between accountability, performance and donations level for the period 2010-2015 will contribute to the NGO accountability literature.

This study also provides societal contributions. The results could be useful to donors, policy-makers, NGO managers and other stakeholders by providing new insights about whether more accountability leads to higher performance and donation levels. Following an increase demand to prioritize improvement of accountability within the international aid agenda (OECD, 2011), the results could help policy-makers further standardize the accountability framework or help NGO managers when making strategic decisions.

Performance is hard to measure in the non-profit sector. As stated in O'Dwyer & Unerman (2008), some managers feel that the quantitative metrics to determine performance don't always fairly represent their fieldwork. Miller (2002) also states that the non-profit sector lacks a commonly accepted performance indicator. The aspect that will be looked at in the rest of the paper is efficiency. It is how efficient the NGOs are with the money they are receiving and demonstrating that they are investing the money in durable outcomes.

1.3 Thesis outline

This study is structured as follows. First, the literature review and the hypothesis development will be described. Chapter three will describe the data methodology and the used sample. The fourth chapter will contain an analysis of the research results. The final section summarizes the findings of the research and provides suggestions for future research.

2. Literature review and Hypotheses development

The research question: "*What are the effects of accountability on NGO performance and donation levels?*" entails three main concepts, namely NGOs, their performance and the NGO-donor relationship. This chapter reviews the literature written on NGOs and their performance measurements. Also the NGO-donor relationship will be discussed. Since this paper focuses on Dutch NGOs, the charitable sector in the Netherlands will be discussed. This section will be concluded with the hypotheses development.

2.1 Defining and classifying NGO

There is a notion that NGOs differ from businesses because they pursue principled beliefs, while businesses pursue material interests (Sell & Prakash, 2004). O'Dwyer & Unerman (2007) state that there is little consensus on how to define and classify NGOs due to their varying in size, topical coverage and scope. As such there are different definitions of NGOs in the literature. To understand the actions of NGOs and businesses it is important to first distinguish between both and provide a definition of NGO.

According to Hansmann (1980), an NGO is an organization that is barred from distributing its net earnings. Thus, an NGO is characterized by its constraint in distributing its net earnings to any individuals who exercise control over it, such as members, officers, directors or trustees. An NGO is distinguished from a for-profit business primarily by the absence of a right of the control group or ownership to share in the profits. But a price could be expected to be paid in incentives due to the elimination of the profit motives. NGOs do succeed in distributing some of their profits through inflated salaries and various other perquisites granted to employees (Hansmann, 1980).

Edwards (2000) defines NGOs as "a subset of civic organization, defined by the fact that they are formally registered with government, receive a significant proportion of their income from voluntary contributions and are governed by a board of trustees rather than the elected representatives of a constituency." But Edwards' choice of 'registration' might be flawed. As there are forms of registration that might apply to charities, grant-receiving bodies, community based enterprises and so on, which are not necessarily considered NGOs and/or not registered

in this manner (Gray, Bebbington, & Collison, 2006). In this paper, an NGO refers to an NPO that exist to provide a public benefit. Hereby, they form an intermediary between donors (who provide resources, usually in the form of time and money) and beneficiaries (who ultimately benefit from the donations) (Hyndman & McDonnel, 2009).

Furthermore, there are different types of NGOs. The main factor that distinguishes between types of NGOs is the kind of activity the NGO engages in (Van Tulder & Van Der Zwart, 2006). Based on the activity NGOs engages in, they can be classified into the following four categories: 1) social welfare, 2) international aid, 3) health, and 4) environmental movement (Centraal Bureau Fondsenwerving, 2017). Each field has organizations that focus on one specific issue, like human rights, victim aid, public health or environmental campaigns (van Tulder & van der Zwart, 2006). Table 1 provides an overview of the types of NGOs based on a specific activity.

Table 1

Classification of NGO activity

Social welfare	International Aid	Health	Environment
Human rights	Development aid	Public Health	Animal protection
Sports and recreation	Refugee aid	Disabled persons aid	Nature preservation
Arts and culture	Victim aid	Deaf and blind aid	
Church and philosophy			
Education			

(Centraal Bureau Fondsenwerving, 2017)

2.2 Accountability

Many NGOs are prominent in attempting to provide a public benefit and improve the lives of disadvantaged people. They have also traditionally been deemed more trustworthy and able to provide these services than governments (O'Dwyer & Boomsma, 2015). But concerns about accountability in NGOs have increased in recent years, due in part to some highly publicized scandals and NGOs failing to meet certain expectations, deteriorating the public confidence in the charitable sector (Ebrahim, 2003a). As a response, several transnational NGOs have acknowledged their accountability to a range of constituencies by developing a series of accountability mechanisms (Ebrahim, 2009) and signing up to accountability charters (Schmitz,

Raggo, & Bruno-van Vijfeijken, 2012). Dealing with increased critical scrutiny by the public is important for these NGOs due to the concern that donors can punish these NGOs and cut their funds (Ebrahim, 2003b).

As an abstract and complex concept, the term accountability has lacked a clear definition (Ebrahim, 2003b). There are several definitions of accountability in the literature. Edwards & Hulme (1996b) define accountability as "the means by which individuals and organizations report to a recognized authority and are held responsible for their actions". In their study of NGO accountability, Unerman & O'Dwyer (2006b) describe accountability as "a process to explain and take responsibility for your actions." Unerman & O'Dywer (2006b) argue that "the main purpose of accountability is to provide mechanisms through which all those affected by an organization's or person's actions can demand an account from the person or the managers of that organization regarding how and why they acted in that manner." Accountability is also defined as "the means through which individuals and organizations are held externally to account for their actions and as the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals, and performance" (Ebrahim, 2003b).

Not only the socially constructed nature of the term accountability makes it hard to define, but organizations also often face multiple accountabilities that change over time (Ebrahim, 2003b). Although the definitions may differ, the concept of accountability in general covers the aspect of trust. This trust is connected to the timely availability of reliable information, which is essential for the performance measurement and monitoring of NGOs by beneficiaries, donors and governments. As donors are usually physically removed from the site of the NGO activities, they are reliant on the statements provided by the NGOs to assess their performance (Burger & Owens, 2010). Transparency is a key issue in the NGO sector due to information asymmetries (Burger & Owens, 2010). Access to information is a key characteristic of accountability, since all accountability relies on relevant and timely information (Cameron, 2004). According to Koppel (2005), transparency is an important instrument for performance measurement and is a key requirement for all other dimensions of accountability (see Table 2).

As transparency is the literal value of accountability (Koppel, 2005), this study uses the transparency prize as a measure of accountability. The criteria used for the transparency prize (see Appendix 2) are aligned with the concept of information availability and are therefore related to the concept of transparency, one of the aspects of accountability.

NGOs are accountable to a range of stakeholders (O'Dwyer & Unerman, 2008). According to Ebrahim (2003a), "hierarchical accountability is narrowly focused, short-term in orientation and favors accountability to the more influential stakeholders (upward accountability)". Hierarchical accountability is perceived to be a form of accountability of external oversight and control and encourages the rationalization of actions. NGOs must constantly try to quantify their performances to be assessed by this group of stakeholders (O'Dwyer & Unerman, 2008). To survive financially, NGOs become frustratingly hobbled by the search for tangible results to maintain their reputation (Gent et al., 2014). Hence, it is often claimed that this type of accountability can have negative effects on the effectiveness of an NGO (Ebrahim, 2005).

A much broader form of accountability, where the impact that the organization can have on other organizations, clients and their environment is taken into account, is called holistic accountability or downward accountability (O'Dwyer & Unerman, 2008). Within holistic accountability, in addition to the key stakeholders recognized under the hierarchical accountability, an NGO is accountable to the group on whose behalf the NGO advocates (i.e., beneficiaries), along with the people, communities or regions indirectly or directly impacted by the NGOs activities (Ebrahim, 2003a) as cited in O'dwyer & Unerman (2008). Since funders are key to the survival of an NGO and because beneficiaries are usually passive (O'leary, 2017) this study focuses on upward accountability. Therefore, this study further examines the NGO-donor relationship.

Various theories have been used to analyze why NGOs engage in accountability practices. Related theories are the stakeholder theory and legitimacy theory. In stakeholder theory, the role of management is seen as achieving a balance between the interests of all stakeholders. The only way to ensure that the firm can survive is by maintaining the different stakeholders happy. A business has multiple contracts with different stakeholders. Without the participation of the primary stakeholders, an organization cannot exist (Deegan & Blomquist, 2006). So being accountable keeps the stakeholders happy, because of the responsible image the firm is portraying, and so the firm can survive.

Another reason for NGOs to engage in accountability practices is because they have a social contract with society and are deemed to behave in a way that is proper within the community in which they operate (Deegan & Blomquist, 2006). Thus, the actions of the NGO managers are aligned with the social expectations of the NGO. By this proper behavior, the NGOs receive

the legitimacy to exist (Deegan & Blomquist, 2006). Providing a legitimating symbol can sustain the existence of the NGO through support by donors (Deegan & Blomquist, 2006).

Table 2

Conceptions of accountability

Conception of accountability	Key determination
Transparency	Did the organization reveal the facts of its performance?
Liability	Did the organization face consequences for its performance?
Controllability	Did the organization do what the principal (e.g., Congress, president) desired?
Responsibility	Did the organization follow the rules?
Responsiveness	Did the organization fulfill the substantive expectation (demand/need)?

(Koppel, 2005)

2.3 Accountability in NGO-donor relationship

NGOs often work on temporary and even counterproductive accomplishments. In that situation, there is incongruence between the long-term goals of the NGO and the outcomes. But why do these NGOs settle for non-durable outcomes? One explanation is a strategic behavior between these altruistic organizations and their donors (Gent et al., 2014).

The relationship between an NGO and the donors is a classic principal-agent relationship (Gent et al., 2014). The agency theory is one in which a group or actor (principal) attempts to have its agendas carried out by another group or actor (agent) (Ebrahim, 2003a). But sometimes, the desires or goals of the agent are not the same as those of the principal and it is difficult or expensive for the principal to monitor the agent's actions (Shankman, 1999). In this case, there is information asymmetry. This is known as the agency problem.

NGOs face constant pressure to please donors to maintain financial stability and continue to pursue their policy goals. On the other hand, donors are faced with a large sector of various NGOs and must decide in which NGO to invest. These donors are skeptical and do not want to

make a bad investment in a low-quality NGO (Gent et al., 2014). As the donors cannot separate the bad NGOs from the good ones, this creates a situation of uncertainty, known as the lemon problem.

According to Gent et al. (2014), these sources of uncertainty put donors in a situation where they might not be able to maximize their investment in an NGO. If donors cannot assess the level of quality, they might end up investing their resources in a low-quality NGO. This agency problem is known as adverse selection and emerges when principals cannot select the type of NGO that they would choose if they had complete information (Gent et al., 2014). Additionally, principals are usually physically not on site to monitor the behavior of the agents. This problem, which results from the inability of the principals to capture hidden behavior, is known as moral hazard (Gent et al., 2014).

To resolve the information asymmetry and ensure that the donor can distinguish low and high-quality organizations, donors look for measurable performance indicators by the NGOs. Knowing the objectives of the NGO is not enough for the donor, being able to monitor and quantify the extent to which the NGO has achieved its goals is also necessary (Gent et al., 2014).

The mechanism that naturally emerges to address the principal-agent problems between donors and NGOs is reputation (Gent et al., 2014). To maintain their funding, NGOs are tempted to aim at immediate policy successes. Donors' concerns about the resources they have invested and demands to assess the quality of the NGO, discourage NGOs from investing in durable outcomes. Instead, the NGO will choose the option that would signal to the donors, in the short term, that they can produce desirable outcomes (Gent et al., 2014). Unerman & O'Dwyer (2006b) state that implementing inappropriate accountability mechanisms can damage rather than enhance the benefits NGOs seek to achieve. Even when such activities differ from the overall mission of the NGO, the NGO may feel the need to divert resources to consistent and public demonstrations of tangible assets to preserve funding. Herein lies a reputation trap (Gent et al., 2014).

Table 3 summarizes the NGO-donor relationship and its influence on durable policy outcomes. An NGO can pursue activities that are likely to be attributable to the mission of the NGO or those that are likely not to be attributable. Pursuing non-attributable outcomes would not help fix the problem of information asymmetry, as these outcomes do not provide relevant

information needed by the donors to assess the NGO's performance (Gent et al., 2014). On the other hand, accountability mechanisms motivate NGOs to pursue attributable outcomes to signal quality behavior. In an ideal situation, an NGO would pursue activities that would help them achieve their mission. However, the attributable strategies available to NGOs lead to policy outcomes that are not durable (Gent et al., 2014). Gent et al. (2014) argue that NGOs and donors may find themselves in this upper left-hand corner of Table 3 as a result of the reputation trap.

Table 3

The reputation trap

	Non-Durable Policy Impact	Durable Policy Impact
Attributable Outcome	Reputation Trap	Reputation Mechanism (No Trap)
Non-Attributable Outcome	Donor Uncertainty	Donor Uncertainty

(Gent et al., 2014)

2.4 Effect of performance on donation levels

As mentioned earlier, there is a lack of a common performance indicator in the non-profit sector. According to Speckbacher (2003), performance measurement in NGOs is difficult, as there is no primary interest group that is invariably and clearly defined. NGOs are built around a specific mission, which is not easy to measure, and they serve different beneficiaries, which might have different goals. Therefore, it seems that performance measurement tools of the for-profit sector are not transferable to the non-profit sector (Speckbacher, 2003).

The relationship between performance in NGOs and donation levels have been researched and the results have been mixed. Tinkelman & Mankaney (2007) investigate the effect of administration efficiency (ADMIN), i.e., administrative costs divided by total costs, on charity donation levels. They find that if the organization is primarily dependent on donors for survival

and reports nontrivial administrative and fundraising costs, donors use administrative ratios for their donation decisions. In such cases, managers need to account how their spending is in line with the organizational goals. Overall, there is a significant negative association between ADMIN and donation levels found. Conversely, when the organization primarily depends on program fees or other sources of revenue, the accountability of administrative spending might be ignored by donors. While Greenlee & Brown (1999) find that ADMIN has a significant negative association with donation levels, Frumkin & Kim (2001) find no significant relationship between ADMIN and donation levels.

Jacobs & Marudas (2009) examine the relationship between performance efficiency and donation levels by building a testing model with the measures ADMIN and PRICE, where PRICE is the total expenses divided by the program expenses. Using archival data from a sample of US NPOs, they found that ADMIN and PRICE has a significant negative effect on donations.

Given the mixed results on the relationship between NGO performance and donations, it is difficult to draw conclusions about the nature of the relationship. This research investigates the relationship between the effect of NGO performance on donation levels in Dutch NGOs. As performance is so hard to measure in NGOs, efficiency is used as a stand-in for performance in this study.

2.5 Dutch nonprofit sector

In the mid-1990s, the Dutch nonprofit sector emerged as among the largest in the world (Brandsen & Pape, 2015). Besides the NGOs, volunteers and the government, other third parties are active in the nonprofit sector, which helps stabilize the sector. The biggest is the 'Stichting Centraal Bureau Fondsenwerving' (CBF) (translated: Dutch Central Fundraising Agency). The CBF is the supervisor of the nonprofit sector. It was founded in 1925 by Dutch municipalities and NGOs due to the importance of supervision over fundraising activities in the NGO sector. The CBF describes its mission as "securing the public confidence in the sector and further development of the nonprofit sector" (CBF, 2016).

The CBF is also an independent accrediting agency. The CBF certification mark assures the public that the accredited NGO can be trusted and that their donations will be handled

responsibly. The NGOs are judged based on various criteria, such as: good governance, policies, fundraising, use of funds and their accountability towards their stakeholders (CBF, 2016).

In 2015, the 'Nederland Filantropieland' (FI), 'Goede Doelen Nederland' and CBF developed the 'Erkenningsregeling' (ER) (translated: qualification system) for nonprofit organizations (CBF, 2016). In 2016, the ER replaced the existing CBF certification mark, 'RfB keur' and the 'Keurmerk Goede Doelen'. The goal of the ER is to make the nonprofit sector more professional, trustworthy and transparent (CBF, 2016). The new guideline means that there is one new certification mark in the sector. By combining the certification marks (into the ER), it is easier for the donors to assess the quality of the different organizations, as the NGOs can now show that they meet all quality requirements through one seal. The ER also takes the size of the organization into account (the larger the organization, the stricter the norms).

Another third party active in the Dutch nonprofit sector is 'Goede Doelen Nederland' (GDN) (translated: charity Netherlands), a branch organization that helps create publicly recognizable and respected guidelines within which the sector operates and which supports the functioning of NPOs. Furthermore, they support their members in conducting efficient business operations and provide a broad platform for knowledge exchange.

The audit firm PWC is also a party in the Dutch nonprofit sector, as they hand out the yearly transparency prize. In 2004, they created this award to encourage NGOs and social enterprises to be more accountable and transparent in their annual reports to the public. PWC collects annual reports on the participating NGOs and grade them based on several criteria (see Appendix 2). Based on these criteria, each NGO is awarded a transparency score. As the prize encourages NGOs to be more transparent and show a high level of accountability for their actions, this can enhance the reputation of the whole sector (Transparant Prijs, 2015). The transparency score will be used in this study as a proxy for the level of accountability (see Section 3.1).

As mentioned before, the Netherlands is one of the top countries regarding philanthropic activities (ING, 2016). Dutch NGOs collected €4,1 billion in total revenues in 2015. About €3 billion came from fundraising activities and government support. The other €1,1 billion were collected by third-party action and revenue from own investments (e.g., interest received). Of

this €4.1 billion, €3,5 billion was ultimately spent on achieving the primarily organizational goal (CBF, 2017).

2.6 Hypotheses development

This section presents the hypotheses tested in this research, based on the aforementioned literature and theories. In Figure 1, an overview of the interdependencies between the main variables is given in the form of a conceptual model.

As analyzed in the previous section, NGOs have various motives to engage in accountability practices. The stakeholder theory stresses the importance of the role of management in achieving a balance between the interests of all stakeholders. An NGO has multiple social contracts with society and needs to keep the primary stakeholders content to survive (Deegan & Blomquist, 2006).

The legitimacy theory stresses the importance of behaving properly within the community in which the NGO operates (Deegan & Blomquist, 2006). For this proper behavior, it receives legitimacy to exist on the market (Deegan & Blomquist, 2006). This is also necessary for the organization to survive (Cho, Guidry, Hageman, & Patten, 2012).

As derived from the stakeholder theory and legitimacy theory, being accountable keeps the stakeholders happy because of the responsible image the NGO is portraying, which helps the NGO survive. Miller (2002) explains how accountability leads to a better performance. He argues that the board of the NGOs create the performance measurements for the management based on the performance expectations of the various stakeholders. Using the performance measures, the board can evaluate the management's performance and monitor whether their activities are in line with the organizational goal and thus improve performance. Additionally, the board is held accountable to the various stakeholders and communicates whether management performance is in line with their expectations.

However, Buchneit & Parsons (2006) found that greater accountability doesn't necessarily improve the performance in NGOs. They argue that although stakeholders, such as donors,

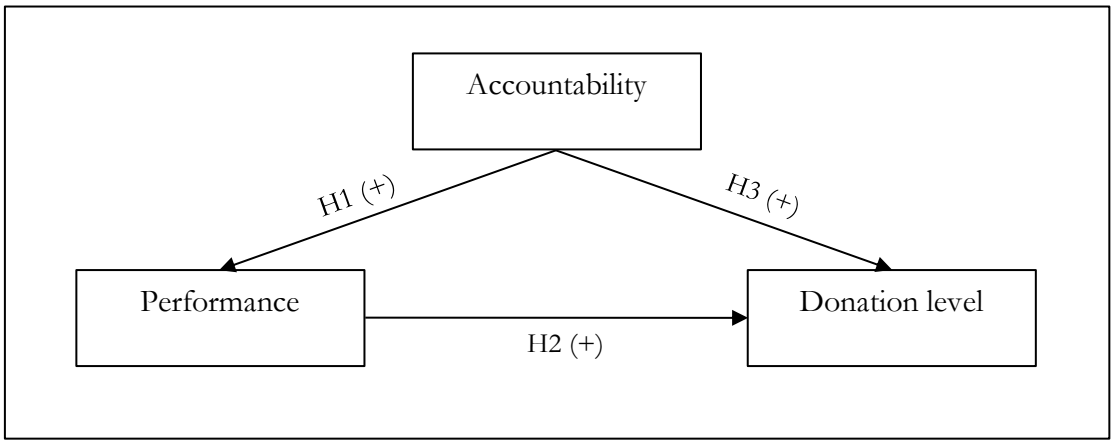
prefer to know where their resources are going, accountability practices do not actually improve the performance of the organization. Due to the mixed results, this study will test the following hypothesis: **H1**: *The level of accountability is positively related with the level of performance*

The research by ING (2016) states that donors base their donation decisions on the reputation of the NGO. Whereas Greenlee & Brown (1999) find that ADMIN has a significant negative association with donation levels, Frumkin & Kim (2001) find no significant relationship. Furthermore, research by Jacobs & Marudas (2009) found a link between performance and donation levels in the US. They found a negative relation between the performance measures ADMIN and PRICE and donation levels. This study tests this link for the Dutch NGOs, leading to the following hypothesis: **H2**: *Higher performance is positively related to donation levels*

As accountability is a form of good governance, providing relevant and reliable information can mitigate the agency problem and ensure selection of high-quality NGOs by donors (Gent et al., 2014). The research of ING (2016) states that an increase in the level of transparency through a report or other forms of media coverage enhances donor trust and leads to a stronger relation with the donors. It is expected that a higher level of trust translates into a higher donation levels. The corresponding hypothesis is: **H3**: *A higher level of accountability is positively related with donation levels*

Figure 1

Conceptual model



3. Research method

This section elaborates on the methodology employed to test the hypotheses developed in Chapter 2.

3.1 Data and sample selection

To test the relationship between accountability, performance and donation levels in the NGO sector, data has been collected using a quantitative method. Quantitative research was chosen as it is an effective tool to test the empirical evidence of predetermined hypothesis (Ahrens & Chapman, 2006).

The NGO accounting performance data was obtained from the CBF database. The CBF database provides access to NGO accounting data and information from NGOs in the Netherlands. They have the largest database, being the leading accreditation agency in the Netherlands in this sector. The CBF keeps a register of public data, e.g., annual reports, that are handed in by the NGOs themselves or are collected by CBF employees. As the financial information of the NGOs is audited by a credited audit firm, the reliability of the collected information is ensured. Any missing data is complemented with data from the annual reports and from the NGOs' websites.

The CBF data is complemented by the information from the transparency prize. This data is obtained from transparency prize archive from the audit firm PWC. PWC has handed out this award for NGOs since 2004. The transparency prize measures how transparent the participating NGOs are through their annual reports, based on a list of criteria (see Appendix I). Thereafter, each NGO receives a transparency score (TP). Big NGOs are ones that have more than €0,5 million in yearly revenues and small NGOs those with less than €0,5 million. The criteria for the big and small NGOs only differ slightly in the categories governance and communication (see Appendix 1).

The sample is the Dutch NGOs that participated in the transparency prize in 2011, 2012, 2013, 2014 and 2015. Thus, the financial data used for these organizations consists of the years 2010 up to and including 2015.

The transparency score is used as proxy for NGO accountability. Of the organizations that participated in the transparency prize, only the NGOs with a CBF certification mark (i.e., ER) are used (reference date March 22nd, 2017). After matching transparency prize data with financial information from CBF database, an initial sample of 216 NGOs was obtained. Removing organizations that do not have a CBF certification mark resulted in a sample of 162 Dutch NGOs out of 1492 registered NGOs in the CBF database (reference date March 22nd, 2017). After controlling for outliers, the initial sample of 162 NGOs was cut down to 150 (see Section 4.1). This is a coverage of 10% of the registered NGOs at the CBF. It must be noted that the CBF has more NGOs registered in their database than NGOs that holds a CBF certification mark. For an overview of the sample selection, see Table 4.

The transparency prize was chosen, as a reliable proxy for accountability was needed to investigate accountability. The reliability of this proxy is further strengthened by the reputation of the big-4 audit firm PWC in assessing organizational performance. With the experience and credibility of PWC in the audit field, this proxy is found in the TP. Furthermore, as TP data was only available for 2011–2015, only participating organizations in these years were used in the study. Taking only NGOs that have a CBF certification mark ensures that they all have some common characteristics. As mentioned earlier, as the criteria for grading big and small NGOs differ slightly and size is used as a control variable in this study (see Section 3.3), no further distinction has been made between these two groups in this study. The above information is considered sufficient to determine the level of accountability and performance and the control variables.

Table 4
Sample selection

	Observations
Original number of organizations	1,492
Less all organizations that did not participate in TP	(1,276)
Less all organizations with no CBF certification mark	(54)
Less outliers	(12)
Remaining organizations in sample	150

3.2 Measurement of variables

3.2.1 Accountability

The independent variable used in regression models 1.1, 1.2, 1.3 and 3 is accountability. As mentioned earlier, the accountability scores were obtained from the transparency prize archive. The TP is used as the proxy for accountability per NGO. It is a score from 0 to 10 and measures the extent to which an NGO communicates relevant and reliable information to the stakeholders. The TP is divided into four categories: 'de kopgroep' (NGOs with a score of 7.5-10), 'de achtervolgers' (NGOs with a score of 7.0-7.5), 'het peloton' (NGOs with a score of 5.5-7.0) and 'de achterblijvers' (NGOs with a score <5.5).

As the absolute scores are usually only available for the top ten NGOs, the ordinal scores are used. To test hypotheses one and three, TP is split into four categories. If the NGO score is between 7.5 and 10, the TP takes a value of 1. If the NGO score is between 7.0 and 7.5, the TP takes a value of 2. If the NGO score is between 5.5 and 7.0, the TP takes a value of 3, while the TP takes a value of 4 if the NGO score is <5.5. For a further overview of the variables, see Table 5.

3.2.2 Performance

Performance was a dependent variable in regressions 1.1, 1.2, 1.3 and an independent variable in regression 2. As mentioned earlier, according to Miller (2002) the non-profit sector lacks a commonly accepted indicator for performance. Therefore, efficiency is used as a proxy for performance. The three proxies for performance indicators that will be used are: administrative efficiency (ADMIN), program expenditure (PROG) and fundraising revenue (FR). All these variables are frequently used in the literature to analyze management performance.

Jacobs & Marudas (2009) use administrative efficiency to measure organizational performance, while Tinkelman & Mankaney (2007) use administrative efficiency and fundraising results to analyze the relation between performance and donation levels. Program expenditure is also a commonly used proxy for performance measurement. Aggarwal et al. (2011) use program

spending to measure CEO performance, while Krishnan et al. (2006) use fundraising and program expenditure to test expense misreporting in NPOs.

ADMIN measures the administration costs as a percentage of the total costs. High administration expenses is seen as inefficient, therefore, the lower this ratio, the better the NGO performance. PROG measures the percentage of revenue spent on the programs that help the organization reach its goals. The more funds are used to achieve the mission the better, therefore, the higher this ratio, the better the performance. Finally, FR measures the organization's costs to raise €1. It is expected that a higher amount spent on fundraising activities should lead to a higher donation levels (Posnett & Sandler, 1989). But using less funds to raise €1 is the more efficient, therefore, the lower this ratio, the better the performance.

3.2.3 Donation levels

Regressions 2 and 3 used the level of donations (DON_TOT) as the dependent variable. DON_TOT is the total amount of private donations, e.g., from individuals and companies, and institutional donations, e.g., government subsidies.

3.3 Control variables

Some control variables were used to test for other possible explanatory variables in the regression models. Since the activity an NGO is engaged in can influence the performance or the tendency to be transparent, *Sector* (INT_AID, HEALTH, ENVIRON, SOCIAL) is taken as a control variable.

Another control variable is *Size*. Kahler & Sargeant (2002) found an inverse relation between ADMIN and size. Bigger organizations can have advantages that smaller organizations do not have. One factor is the extent to which NGOs can generate attention from prospective donors (Bekkers & Wiepking, 2011). Size is measured as the total assets on a log scale.

Organizational age (*AGE*) is included as a control variable, as experience may affect NGO performance. Experience might be attractive to donors, who might reason that for an NGO to have been around for so long, it must be high quality (Trussel & Parsons, 2008). Having more experience and learning from your mistakes might lead to positive development in your performance. According to Weisbrood & Dominguez (1986), there is a positive relation between goodwill and organizational age. A high level of goodwill means that journalists write positively about the NGO and that prospective donors are familiar with the brand. As such, the high quality translates in the organizational age, as the NGO showed that it has survived throughout the years.

The control variable *Transparency price* (TPP) is also used, as the TPP suggests that an NGO who has won the transparency prize in the year of observation, has a high level of transparency and is functioning well. Winning the award can have a positive effect on the brand. Accordingly, this could attract more donors. TPP is measured by two dummy variables: the score '1' is given to an NGO that has won the TPP in the year of observation and '0' to an NGO that has not won the TPP in the year of observation.

According to Yetman & Yetman (2011), being audited by a big-4 audit firm will impact an organization, as it leads to more accurate expense reporting. Therefore, the use of a big-4 audit firm (*BIG4*) is taken into account. BIG4 is measured by two dummy variables: the score '1' is given to an NGO that is audited by a big-4 audit firm and '0' to an NGO that is not.

According to Biddle, Hillary & Verdi (2009), managers might have the incentive to relax budgets and other controls that prevent misbehavior, in case of a large cash balance. As there are enough funds available, the managers may direct resources to programs or items that do not directly benefit the organizational goal. Additionally, donors may feel that agency costs could arise from a high cash balance and adjust their donation behavior accordingly. *Cash* is measured as the ratio of cash and cash equivalents to total assets.

The Dutch SHO (Samenwerkende Hulporganisaties) is an organization that unites Dutch NGOs to respond collaboratively to exceptional disasters. In case of a disaster, the member NGOs join forces and use the well-known bank account GIRO555 to collect donations for all the member NGOs (Samenwerkende Hulporganisaties, 2017). NGOs that are part of the SHO may benefit from the organization's goodwill and fundraising efforts and therefore receive more donations.

SHO is measured by two dummy variables: the score '1' is given to an NGO that is an SHO member and '0' to an NGO that is not.

Further characteristics of the director, such as gender (*DGENDER*), may influence performance and accountability and thus donation levels. Also, a dummy variable for the variable international parent (*INT*) is taken into account. Having an INT includes ongoing development and performance assessment as an organization. It may influence performance and accountability and thus donation levels. For a further overview of the variables, see Table 6.

Table 5
(In)dependent variables

Variable	Variable label	Expectation	Definition
Accountability	TP	+	Score on the Transparency Prize (TP), 1=score 7.5-10, 2= score 7.0-7.5, 3= score 5.5-7.0, 4= score <5.5
Performance	Admin	-	Percentage administration cost of total costs
	PROG	+	Percentage revenue that is spend on organizational goals
	FR	-	Percentage funding costs to attract fund revenue
Donations	DON_TOT	NA	Total donations composed of private donations + institutional donations

Notes: "+", Positive relationship between dependent and independent variable predicted; "–", negative relationship between dependent and independent variable predicted.

Table 6
Control variables

Variable	Variable label	Data type	Definition
Sector	INT_AID	Dummy	A NGO falls into one category: 1=International aid, 2=health, 3=social welfare, 4=environment
	HEALTH	Dummy	
	ENVIRON	Dummy	
	SOCIAL	Dummy	
Size	SIZE	Ratio	Logged total assets of the organization
Age organization	AGE	Ratio	The age of the organization in years
Transparency prize	TPP	Dummy	Has NGO won transparency prize in the year of observation? Yes (=1), No (=0)
Auditor	BIG4	Dummy	Is the NGO audited by a big-4 audit firm? Yes (=1), No (=0)
Cash	CASH	Ratio	Ratio of cash and cash equivalents to total assets
SHO	SHO	Dummy	Is the NGO a member of SHO? Yes (=1), No (=0)
Gender executive	DGENDER	Dummy	Gender of the director. 1= Male, 0= Female
International parent	INT	Dummy	Does the NGO have an international parent? Yes (=1), No (=0)

3.4 Regression models

This paper uses seven models to test the three hypotheses from Chapter 2. The first three regression models (1.1, 1.2 and 1.3) were used to test hypothesis 1, the influence of accountability on performance. Accountability was tested with a time lag of 1 year, as can be seen in the model below. A time lag of 1 year was used because the transparency prize is awarded after the closing balance date, therefore, the effect of the latter can be noted, if applicable, in a future period.

$$(1.1)\quad ADMIN = \beta_0 + \beta_1 T_{i,t-1} + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$$

$$(1.2)\quad PROG = \beta_0 + \beta_1 T_{i,t-1} + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$$

$$(1.3)\quad FR = \beta_0 + \beta_1 T_{i,t-1} + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$$

Hypothesis 1 is supported if β_1 (ADMIN) is negative and significant, β_1 (PROG) is positive and significant and β_1 (FR) is negative and significant.

The following regressions tested the influence of performance on donation levels (hypothesis 2).

$$(2.1)\quad DON\_TOT = \beta_0 + \beta_2\, ADMIN + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$$

$$(2.2)\quad DON\_TOT = \beta_0 + \beta_3\, PROG + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$$

$$(2.3)\quad DON\_TOT = \beta_0 + \beta_4\, FR + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$$

Hypothesis 2 is supported if β_2 and β_4 are negative and significant and β_3 is positive and significant.

The last regression has the same structure as the previous models. Regression 3 tested the relation between accountability and donation levels. Accountability was tested with a time lag of 1 year, as can be seen in the model below. The regression equation is as follows:

$$(3)\quad DON\_TOT = \beta_0 + \beta_1 T_{i,t-1} + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$$

Hypothesis 3 is supported if β_1 is positive and significant.

In all regressions, i indicates NGO, t indicates year and e is the error term. The remaining variables are as explained in Sections 3.2 and 3.3.

4. Results

This section elaborates on the results of the archival database analysis. First an outlier analysis was performed. Thereafter, univariate and bivariate analysis were performed to obtain a better understanding of the database. Hereby showing the main characteristics of the database and the relations between the main variables and the control variables. The section concludes by testing the regression models as presented in Section 3.4 and elaborating on the hypotheses introduced in Section 2.6.

4.1 Descriptive statistics

According to Field (2013), assumptions are conditions that ensure that what you're attempting to analyze works. If these assumptions are violated, then the test statistic and p-value will be inaccurate and could lead to an inaccurate conclusion. Therefore, the two assumptions being looked at are normality and multicollinearity (see Section 4.2).

Before the analysis in STATA the assumptions are tested and an outlier analyses was performed. Normality is the first assumption being analyzed. This assumption means that the data must be normally distributed. One of the options that Field (2013) gives, to get a normal distribution from the data, is the removal of outliers. An outlier is a score very different from the rest of the data, which tend to skew the data distribution (Field, 2013). There is skewness when the skewness value is > 2 ×Standard deviation of the skewness. The kurtosis is also determined the same way. When these rules of thumb are violated, then it can be stated that the data is not normally distributed. Field (2013) also gives the option of performing a Log transformation.

An outlier analysis was performed by analyzing the z score. A z score of ≥ 3.29 or ≤ -3.29 is considered an outlier. NGOs that provide an outlier for any of the variables is then removed. After controlling for outliers the initial sample of 162 NGOs is cut down to 150 NGOs. Furthermore, the following variable has been transformed into normally distributed variable: DON2=Log(DON_TOT). The central limit theorem states that in large samples (usually n>30) the estimate will have come from a normal distribution regardless of what the sample data looks like (Field, 2013). So the assumption of normality is assumed to be the case in this study, which consists of a sample of 150 NGOs.

In Table 7 the descriptive statistics of the sample NGOs is presented, whereby all variables are untransformed. The descriptive statistics shows the minimum and maximum values, the mean, the median and the standard deviation for the measurement variables TP, ADMIN, PROG, FR and DON_TOT and the control variables. The dataset is built up of 150 NGOs, with a total number of data entries of 900 all together in the years 2010-2015. Over the entire period 27% of the NGOs has an international parent, 40% are audited by a Big-4 audit firm and 65% have a male executive director. Figure 2 shows the division among sectors in 2015. The majority of the NGOs are concerned with international aid (41%) followed by environmental purposes (29%). Whereas, social welfare and health purposes account for 11% and 19% respectively. Furthermore, the average organizational age of the examined organizations is 45 years and 6,6% of the examined NGOs are a member of the Dutch SHO.

Performance is measured by looking at the administrative, program expenditure and fundraising efficiency. Table 7 shows that for ADMIN the mean is 5,8%. This means that on average the administrative expenses of NGOs account for around 5,8% of their total costs. In addition, PROG has a mean value of 82%. This means that NGOs spend 82% of their funds on achieving organizational goals. The mean value of FR lies at 12%. This performance measurement indicates the amount of money NGOs have to spend in order to generate funds. Therefore, throughout the years, the NGOs have to spend €0,12 in order to raise €1 on funds. Donation levels varies greatly, from a maximum of 148 million to the lowest score of 0, as can be noted in Table 7. This is also confirmed by the high standard deviation (22,3m), which indicates that the scores are very much spread out over a large range of values. Figure 3 shows the ordinal scores for the TP prize in the years 2011-2015. It can be noted that the percentage of NGOs who scored below the 5.5 decreased gradually every year.

Figure 2: Division of NGOs over sectors

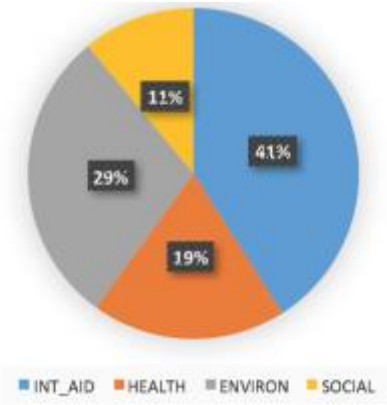


Figure 3: Ordinal scores for TP prize

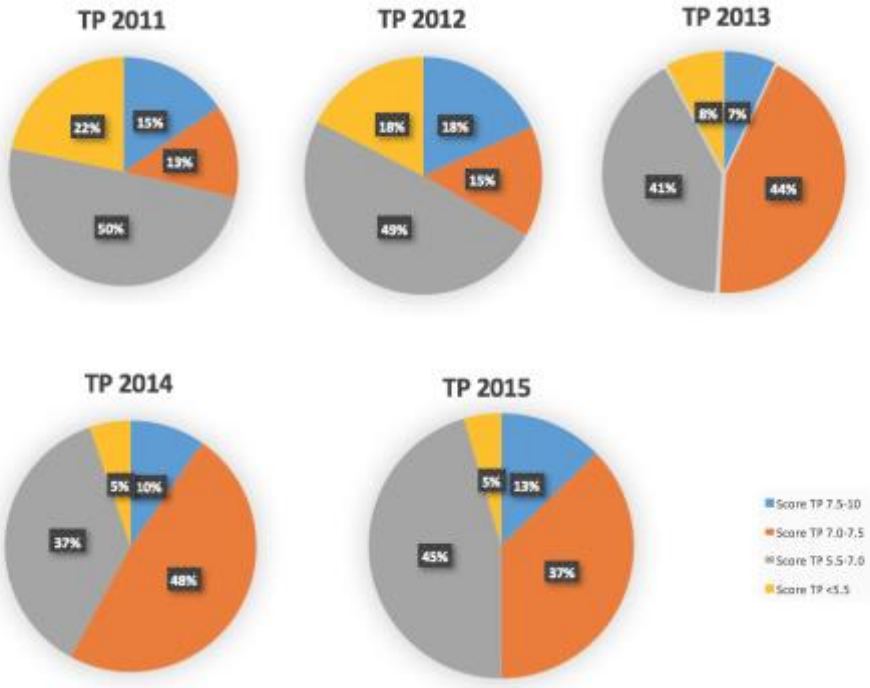


Table 7

Descriptive statistics of all the variables

	N	Mean	Std. deviation	Min. value	Max. value	Median
TP	593	2.554	.8606	1	4	3
DON_TOT	900	13,300,000	22,300,000	0	148,000,000	6,032,555
ADMIN	900	.0581	.0480	0	.5658	.0464
PROG	900	.8173	.1935	0	1.8606	.8389
FR	900	.1195	.1409	0	3.138	.1011
TPP	900	.0089	.0939	0	1	0
AGE	900	45.4867	34.2461	6	224	39
SIZE	900	15.2348	2.1493	7.8148	19.6956	15.5954
CASH	900	.5427	.3036	0	1	0.5658
BIG4	900	.4	.4902	0	1	0
INT_AID	900	.4067	.4915	0	1	0
HEALTH	900	.1867	.3896	0	1	0
ENVIRON	900	.2933	.4555	0	1	0
SOCIAL	900	.1133	.3172	0	1	0
INT	900	.2733	.4459	0	1	0
DGENDER	900	.6467	.4783	0	1	0
SHO	900	.0667	.2496	0	1	0

4.2 Bivariate analysis

Before a correlation matrix is performed, a variance inflation factors (VIF) test is conducted to test for multilinear relations. The results show that there are no signs of excessive multicollinearity within the regression models (see Appendix 3). All VIF values are well below 10 and the mean is close to 1.

After controlling for multicollinearity, Spearman-Rho correlations are conducted between the dependent, independent and the control variable (Table8). The correlation matrix explains the interrelationship between two variables. The analysis is performed over the six-year period 2010-2015. The justification for this statistical test is that the main and control variables are measured on an ordinal or continuous scale. It is also worth noting that Spearman's correlation is not very sensitive to outliers (Field, 2013).

As shown in Table 8, TP is significant positive correlated with ADMIN at a 1% level (r=.123). This positive relation does not support hypothesis 1 that greater accountability improves NGO performance. This is consistent with the study of Buchneit & Parsons (2006) suggesting that greater accountability doesn't necessarily improve NGO performance. PROG and FR are negatively correlated with TP. Because the correlations between PROG, FR, and TP aren't significant, it can't be concluded that greater accountability doesn't improve NGO performance. Hereby, hypothesis 1 is partially supported, because NGOs that show greater accountability perform less efficient in ADMIN but not in PROG and FR.

Table 8 underlines that over the six-year period all main variables were significantly correlated with total donations. DON2 is significant negative correlated with ADMIN (r=-.258) at a 1% level. At the other hand, DON2 is significant and positive correlated with PROG (r=.165) and FR(r=.123) at a 1% level. These correlations between performance and donations indicate that as hypothesized, a higher efficiency for ADMIN and PROG is related to higher donation levels. However, this statement does not hold for FR. What comes in at a surprise is the significant negative correlation between TP and DON2 at a 1% level. This hints at the fact that higher accountability may lead to less donations. It could be argued that donors don't want more transparency, but more trust. This trust is not or barely determined by the quality of the year reports. And by allocating energy and resources into being more accountable, donors may feel that this will go at the expense of pursuing organizational goals.

According to the correlation matrix, between ADMIN and PROG, a significant negative correlation (r=-.39) is found. A similar kind of relation is found between FR and PROG (r=-.262). This indicates that when a higher amount of resources is spent on organizational programs, less administration and fundraising costs were made.

Furthermore, AGE and SIZE are significant positive correlated to DON2. This underlines that organizational size and age, provide some type of goodwill which materialize in higher donation levels. Also the presence of a big-4 audit firm has a high significant positive influence on donation levels. That should not be a strange result, taking into account that a big-4 firm enhances the reliability of the financial information (Yetman & Yetman, 2011). Another noteworthy correlation is the significant negative correlation between CASH and DON2. The results are in line with our previous expectation that donors may adjust their donation behavior if agency costs may arise due to the cash balance. Furthermore, NGOs that are member of SHO tend to have more donations, as can be noted by the significant positive correlation in Table 8.

NGOs with an international parent have a significant positive association with cash and donation levels. Moreover, older NGOs seems to be more accountable and raise more funds. Further, winning the transparency prize seems to lead to less accountability. It could be argued that these NGOs might become complacent after winning the award.

Table 8

Spearman-Rho matrix for all variables over six-year period

	TP	DON2	ADMIN	PROG	FR	TPP	AGE	SIZE	CASH	BIG4	INT_AID	HEALTH	ENVIRON	SOCIAL	INT	DGENDER	SHO
TP	1																
DON2	-.259**	1															
ADMIN	.123**	-.258**	1														
PROG	-.042	.165**	-.39**	1													
FR	-.044	.123**	.219**	-.262**	1												
TPP	-.163*	-.080	-.042	-.040	-.017	1											
AGE	.093*	.435**	-.047	.060	.083**	-.113**	1										
SIZE	-.124**	.854**	-.196**	.088**	.188**	-.094*	.587**	1									
CASH	-.109**	-.387**	.054	-.101*	-.17**	-.115**	-.498**	-.514**	1								
BIG4	-.178**	.588**	-.175**	.088**	.056	-.051	.271**	.56**	-.254**	1							
INT_AID	-.194**	-.028	-.225**	.149**	-.33**	.047	-.238**	-.203**	.253**	-.066	1						
HEALTH	.15**	.013	.061	-.136*	.383**	-.047	.066	.151**	-.07	.126**	-.405**	1					
ENVIRON	.121**	.025	.108**	-.049	.033	-.065	.132**	.061	-.218**	-.041	-.563**	-.296**	1				
SOCIAL	-.054	-.010	.133*	.008	.016	.08	.111**	.052	-.001	.012	-.289**	-.152**	-.211**	1			
INT	-.096*	.110**	-.050	.021	-.017	-.025	-.146**	-.088*	.145**	.01	.378**	-.265**	-.123**	-.102*	1		
DGENDER	-.024	.086*	.068	.121**	.093*	-.068	.147**	.103*	-.109**	.1	-.149**	-.056	.077	.204**	-.002	1	
SHO	-.078	.357**	-.188**	.135*	-.057	.035	.05	.269**	.037	.342**	.262**	-.132**	-.114**	-.094*	.025**	.008	1

**. Correlation is significant at the 0.01 level, based on a two-tailed test.

*. Correlation is significant at the 0.05 level, based on a two-tailed test.

TP: NGO score in transparency prize

4.3 Regression analysis

The regression results will be reported according to the regression equations presented in Section 3.4. Due to the use of time lag, the regression analysis shall be done per hypothesis per year, whereas the time lag is implemented manually in the models. According to general statistics rules for dummy variables, one is left out in the model to which the other dummies will be referenced. In all the models this applies for the dummy variable HEALTH.

4.3.1 Test of hypothesis 1

The first model examines whether a higher level of accountability has an influence on NGO performance. Performance is examined by looking at the relation of TP on ADMIN, PROG and FR separately. In the regression estimates, performance proxies are regarded as the dependent variables, while TP and the other control variables are considered as the independent variables.
To implement the hypothesized time lag, the TP of year before the year stated, will be taken into account. As accountability scores are only available for the period 2011-2015 and due to the implementation of a time lag, only four regressions can be run. Namely for the years 2012-2015.

In Table 9, the relationship between ADMIN as proxy for performance and the level of accountability is shown. According to the regression results, TP is positively related to ADMIN as this relation holds in all the years (β=.006;.007;.009;.014). Whereas, this result is only significant at the 5% level in 2015 (β=.014, p=.032). This indicates that a higher accountability would lead to lower performance level. Therefore, the results do not support the hypothesis that a higher accountability would lead to a better performance in Dutch NGOs. However, this result supports the findings of the bivariate analysis (see Section 4.2). Furthermore, only the control variable SIZE is significant negative related to ADMIN. This result underlines that larger NGOs are less efficient regarding their administrative expenses.

Table 10 reports the results of the regression analysis using PROG as dependent variable and proxy for performance. It can be noted that the variable TPP has a significant positive relationship with PROG in 2012 (β=.250, p=.030). This means that NGOs who won the transparency prize in 2012 perform better. Furthermore, the variables SIZE and DGENDER show a significant positive relationship with PROG in 2015. These results underline that larger organization and with a male executive perform better.

The last regression analyzes the relationship of TP on the dependent variable FR (Table 11). Only the variables BIG4, INT_AID, ENVIRON and SOCIAL were significant, namely in the year 2012. The control variable BIG4 was significant on a 5% significance level (β=-.043, p=.038). This result means that having a big-4 audit firm auditing your financial information, is associated with a higher performance level.

In summary the above results show that there is no significant effect of TP on NGO performance. So it is not proven that the more accountable an NGO is, the better they perform. Therefore, hypothesis 1 is not supported.

Table 9: Regression estimates of accountability on performance (ADMIN)

ADMIN	2012	2013	2014	2015
TP	.006	.007	.009	.014*
	(.910)	(1.450)	(1.540)	(2.170)
TPP	-.044	.002	.002	.017
	(-.990)	(.060)	(.030)	(.350)
AGE	.000	-.00001	.000	.000
	(1.080)	(-.100)	(1.630)	(.520)
SIZE	-.012**	.000	-.001	-.002
	(-3.040)	(.140)	(-.410)	(-.500)
CASH	.015	.034	.012	.018
	(.670)	(1.900)	(.690)	(.940)
BIG4	.012	-.004	-.013	-.011
	(.840)	(-.360)	(-1.190)	(-1.030)
INT_AID	-.01	-.028	-.018	-.021
	(-.590)	(-1.120)	(-1.150)	(-1.300)
ENVIRON	-.008	-.009	-.004	.003
	(-.500)	(-.540)	(-.290)	(.160)
SOCIAL	.008	-.020	.011	.019
	(.400)	(-1.120)	(.660)	(1.030)
INT	-.007	.009	-.002	-.00004
	(-.330)	(.940)	(-.190)	(-.0001)
DGENDER	-.004	.007	.004	.012
	(-.200)	(.760)	(.420)	(-1.300)
SHO	-.005	-.014	-.007	-.013
	(-.2)	(-.730)	(-.380)	(-.730)
N	129	126	114	114
Adjusted R	.062	.024*	.044*	.087

**, * indicate statistical significance at 1 and 5% level respectively (two tailed; t-values below the regression coefficients in parentheses)

Model 1.1: $ADMIN = \beta_0 + \beta_1 T_{i,t-1} + d_{1-4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$

Table 10: Regression estimates of accountability on performance (PROG)

PROG	2012	2013	2014	2015
TP	-.016	.017	.040	.054
	(-1.050)	(1.020)	(-1.130)	(1.930)
TPP	.250*	.009	.020	.134
	(2.190)	(.070)	(1.300)	(.640)
AGE	-.001	-.0003	-.0007	-.0006
	(-1.780)	(-.680)	(-1.130)	(-1.010)
SIZE	.014	.007	.013	.047*
	(1.390)	(.670)	(.930)	(3.480)
CASH	-.111	-.024	-.002	.044
	(-1.970)	(.730)	(-.020)	(.520)
BIG4	-.025	.027	.015	.013
	(-.700)	(.730)	(.300)	(.280)
INT_AID	.085	.097	.066	.067
	(1.950)	(1.560)	(.900)	(.920)
ENVIRON	.050	.058	-.021	.016
	(1.210)	(.950)	(-.290)	(.230)
SOCIAL	.019	.053	.136	.078
	(.360)	(.830)	(1.670)	(.950)
INT	.006	-.063	-.007	-.031
	(.180)	(-1.730)	(-.150)	(-.680)
DGENDER	.046	.056	-.005	.115*
	(1.640)	(1.760)	(-.130)	(-.680)
SHO	.059	.040	-.022	-.045
	(.94)	(-1.730)	(-.270)	(-.580)
N	129	126	114	114
Adjusted R	.104	.045*	.022*	.164

**, * indicate statistical significance at 1 and 5% level respectively (two tailed; t-values below the regression coefficients in parentheses)

Model 1.2: $PROG = \beta_0 + \beta_1 T_{i,t-1} + d_{1-4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$

Table 11: Regression estimates of accountability on performance (FR)

FR	2012	2013	2014	2015
TP	-.011	-.005	-.009	.002
	(-1.250)	-(.500)	(-.890)	(.200)
TPP	.014	.067	.200	.045
	(.220)	(.900)	(1.300)	(.530)
AGE	-.0003	-.0006	-.0003	-.0002
	(-.104)	(-1.800)	(-1.650)	(-1.060)
SIZE	.010	.015*	.007	.005
	(1.620)	(2.610)	(1.530)	(.900)
CASH	4.6E-05	-.009	-.043	-.051
	(.000)	(-.240)	(-1.460)	(-1.490)
BIG4	-.043*	-.063*	-.035	-.018
	(-2.100)	(-2.920)	(-1.910)	(-.970)
INT_AID	-.156**	-.042	-.046	-.045
	(-6.130)	(-1.170)	(-1.740)	(-1.540)
ENVIRON	-.107**	.004	-.016	-.022
	(-4.460)	(.120)	(-.620)	(-.760)
SOCIAL	-.141**	.115	-.051	-.036
	(-4.650)	(3.040)	(-1.750)	(-1.110)
INT	.024	.024	.017	.015
	(1.200)	(1.110)	(1.020)	(.830)
DGENDER	.006	-.003	.006	.019
	(.340)	(-.160)	(.360)	(1.160)
SHO	.022	.028	.015	-.021
	(.60)	(.700)	(.510)	(-.680)
N	129	126	114	114
Adjusted R	.237	.263	.073	.077

**, * indicate statistical significance at 1 and 5% level respectively (two tailed; t-values below the regression coefficients in parentheses)

Model 1.3: $FR = \beta_0 + \beta_1 T_{i,t-1} + d_{1-4}$ SECTOR $+ d_5$ SIZE $+ d_6$ AGE $+ d_7$ TPP $+ d_8$ BIG4 $+ d_9$ CASH $+ d_{10}$ SHO $+ d_{11}$ DGENDER $+ d_{11}$ INT $+ \varepsilon$

4.3.2 Test of hypothesis 2

In this section hypothesis 2 is tested, which examines the effects of performance on donation levels. Performance is examined by looking at the relation of ADMIN, PROG and FR separately, on donation levels (DON2). In the regression estimates, total donations is regarded as the dependent variable, while the performance proxies and the other control variables are considered as the independent variables. The regression models as presented in Section 3.4 are tested for the years 2010-2015.

As hypothesized, there is a significant negative relation between ADMIN and donations in 2012 at the 5% significance level (β=-5.234, p=.000). This means that the more efficient an NGO perform, the higher the donation levels. But in 2010 the results show the contrary, namely a significant positive relation between ADMIN and DON2 (β=12.314, p=.022) at the 5% significance level (Table 12). As such, the results do not support the hypothesis that a better performance leads to higher donation levels. The significant positive coefficient for INT in 2012 (β=.679, p=.000) indicates that the presence of an international parent leads to a higher donation level. This relationship also holds for model 2.2 in 2015 and model 2.3 in 2013.

Table 13 shows the results for model 2.2. As expected, program expenditure is positively related with donation levels. Showing a significant relation for all the years. Therefore, the results support the hypothesis that a better performance would lead to higher donation levels.

The last model 2.3 will investigate the influence of FR on donation levels. In line with the findings of the bivariate analysis, the results show a positive coefficient for the relationship between FR and DON2. For 2010-2014 this relationship is significant at the 1% significance level, as can be noted in Table 14. The significant positive coefficient for DGENDER in model 2.3 indicates that the presence of a male executive leads to higher donation levels. Whereas the significant positive coefficient for the sector INT_AID and ENVIRON indicates that NGOs in these sectors generate more donations.

Moreover, the variable SIZE has a significant positive coefficient throughout all of the models. This result is in line with prior research (Bekker & Wiepking, 2011; Parsons, 2007) and indicates that larger NGOs generate more donations.

In summary the above results show that there is a significant positive effect of PROG on the donation levels. But what is previously hypothesized does not hold for the performance indicators ADMIN and FR. Therefore, hypothesis 2 is partially supported.

Table 12: Regression estimates of performance on donation levels (ADMIN)

DON2	2010	2011	2012	2013	2014	2015
ADMIN	12.314*	6.235	-5.234**	-1.344	-.580	5.815
	(2.310)	(1.290)	(-4.380)	(-.490)	(-.200)	(1.600)
TPP	-.667	-1.102	-.834	.709	.605	1.065
	(-.340)	(-.480)	(-1.350)	(.610)	(.520)	(.530)
AGE	.0007	-.004	-.002	-.006	-.006	-.010
	(.100)	(-.650)	(-.790)	(-1.410)	(-1.320)	(-1.840)
SIZE	.994**	.894**	.692**	.965**	.968**	1.200**
	(7.020)	(7.660)	(15.650)	(11.830)	(11.690)	(11.850)
CASH	1.016	(.944)	.121	.149	.052	.327
	(1.130)	(1.230)	(.420)	(.280)	(.100)	(.500)
BIG4	.412	.312	.301	.169	.076	-.119
	(.700)	(.690)	(1.800)	(.540)	(.230)	(-.310)
INT_AID	.472	.856	-.026	.687	.750	.537
	(.700)	(1.480)	(-.120)	(1.720)	(1.860)	(1.110)
ENVIRON	.007	.037	.069	.605	.594	.457
	(.010)	(.070)	(.320)	(1.540)	(1.500)	(.970)
SOCIAL	.257	.268	-.131	.225	.282	.245
	(.310)	(.370)	(-.490)	(.450)	(.560)	(.410)
INT	.929	.272	.679**	.398	.412	.484
	(1.730)	(.580)	(3.930)	(1.240)	(1270)	(1.240)
DGENDER	.581	.195	.135	.569*	.514	.742*
	(1.250)	(.490)	(.910)	(2.070)	(1.830)	(2.200)
SHO	.112	.113	.133	.021	.073	.181
	(.110)	(.130)	(.420)	(.040)	(.120)	(.250)
N	150	150	150	150	150	150
Adjusted R	.358	.353	.793	.626	.624	.609

**, * indicate statistical significance at 1 and 5% level respectively (two tailed; t-values below the regression coefficients in parentheses)

Model 2.1: $DON2 = \beta_0 + \beta_2\ ADMIN + d_{1\text{-}4}\ SECTOR + d_5\ SIZE + d_6\ AGE + d_7\ TPP + d_8\ BIG4 + d_9\ CASH + d_{10}\ SHO + d_{11}\ DGENDER + d_{11}INT + \varepsilon$

Table 13: Regression estimates of performance on donation levels (PROG)

DON2	2010	2011	2012	2013	2014	2015
PROG	7.900**	6.780**	1.550**	6.159**	3.765**	5.127**
	(10.09)	(8.400)	(3.260)	(9.350)	(6.370)	(7.730)
TPP	-1.270	.904	-1.011	1.116	1.202	.732
	(-.850)	(.470)	(-1.570)	(1.230)	(1.310)	(.430)
AGE	.002	-.008	-.001	-.003	-.003	-.007
	(.510)	(-.152)	(-.510)	(-.730)	(-.840)	(-1.580)
SIZE	.893**	.886**	.721**	.982**	.961**	1.114**
	(8.200)	(9.350)	(16.180)	(15.440)	(13.270)	(13.040)
CASH	1.127	(.734)	.251	.329	.093	.300
	(1.630)	(1.170)	(.840)	(.780)	(.200)	(.550)
BIG4	.332	-.132	.332	-.020	.001	-.250
	(.830)	(-.360)	(1.940)	(-.080)	(.000)	(-.780)
INT_AID	-.503	.400	-.060	.014	.202	-157
	(-.960)	(.850)	(-.270)	(.040)	(.560)	(-.380)
ENVIRON	-.207	.240	.018	.031	.327	.224
	(-.410)	(.520)	(.080)	(.100)	(.930)	(.560)
SOCIAL	-.173	.212	-.173	-.234	-.044	.087
	(-.270)	(.360)	(-.630)	(-.590)	(-.100)	(.170)
INT	.692	.467	.688**	.724	.515	.891**
	(1.670)	(.122)	(3.870)	(2.850)	(1.810)	(2.690)
DGENDER	-.186	.297	.090	.256**	.438	.283
	(-.510)	(.910)	(.580)	(1.170)	(1.780)	(.980)
SHO	.211	-.051	.070	-.331	.126	.156
	(.270)	(-.070)	(.220)	(-.710)	(.240)	(.250)
N	150	150	150	150	150	150
Adjusted R	.618	.568	.782	.770	.710	.723

**, * indicate statistical significance at 1 and 5% level respectively (two tailed; t-values below the regression coefficients in parentheses)

Model 2.2: $DON2 = \beta_0 + \beta_3\ PROG + d_{1\text{-}4}\ SECTOR + d_5\ SIZE + d_6\ AGE + d_7\ TPP + d_8\ BIG4 + d_9\ CASH + d_{10}\ SHO + d_{11}\ DGENDER + d_{11} INT + \varepsilon$

Table 14: Regression estimates of performance on donation levels (FR)

DON2	2010	2011	2012	2013	2014	2015
FR	7.167**	6.543**	1.135**	2.307	3.751*	2.168
	(2.550)	(2.850)	(-4.040)	(1.590)	(2.320)	(1.310)
TPP	-.648	-.956	-.605	.497	.510	1.016
	(-.330)	(-.420)	(-.970)	(.430)	(.480)	(.500)
AGE	.0002	-.002	-.003	-.006	-.005	-.008
	(.230)	(-.320)	(-1.370)	(-1.230)	(-.980)	(-1.530)
SIZE	.873**	.795**	.778**	.936**	.923**	1.163**
	(6.050)	(6.800)	(17.350)	(11.260)	(11.110)	(11.350)
CASH	1.017	(.778)	.219	.158	.078	.319
	(1.140)	(1.040)	(.080)	(.290)	(.150)	(.490)
BIG4	.533	.440	.209	.292	.248	-.078
	(1.020)	(1.000)	(1.220)	(.920)	(.770)	(-.200)
INT_AID	1.031	1.543	.287	1.048*	1.236**	.732
	(1.400)	(2.480)	(1.300)	(2.350)	(2.780)	(1.370)
ENVIRON	.532	.566	.226	.846*	.933*	.727
	(.780)	(.980)	(1.050)	(2.020)	(1.225)	(1.440)
SOCIAL	1.052	.956	.056	.534	.689	.529
	(1.200)	(1.320)	(.210)	(1.000)	(1.320)	(.830)
INT	.721	.089	.586**	.323	.313	.474
	(1.340)	(.190)	(3.320)	(1.000)	(.980)	(1.210)
DGENDER	.524	.148	.119	.563*	.537	.765*
	(1.140)	(.380)	(.800)	(2.060)	(1.950)	(2.270)
SHO	.052	.128	.166	.018	.079	.154
	(.050)	(.150)	(.520)	(.030)	(.140)	(.210)
N	150	150	150	150	150	150
Adjusted R	.363	.384	.790	.632	.638	.607

**, * indicate statistical significance at 1 and 5% level respectively (two tailed; t-values below the regression coefficients in parentheses)

Model 2.3: $DON2 = \beta_0 + \beta_4 FR + d_{1\text{-}4} SECTOR + d_5 SIZE + d_6 AGE + d_7 TPP + d_8 BIG4 + d_9 CASH + d_{10} SHO + d_{11} DGENDER + d_{11} INT + \varepsilon$

4.3.3 Test of hypothesis 3

In this section hypothesis 3 is tested, which examines whether higher accountability is positively related with donation levels. In the regression estimates, donation levels is regarded as the dependent variable, while the accountability proxy and the other control variables are considered as the independent variables. To implement the hypothesized time lag, the TP of year before the year stated, will be taken into account. As accountability scores are only available for the period 2011-2015 and the implementation of a time lag, only four regressions can be run. Namely for the years 2012-2015.

Hypothesis 3 is supported if β_1 is positive and significant. As can be noted in Table 16, in 2014 (β=.107) and 2015 (β=.126) there is a positive coefficient for accountability. However, the results are not significant at the 5% significance level. Therefore, the results don't explicitly suggest that higher accountability leads to more donations. Thus, providing no support for hypothesis 3. Furthermore, the control variable SIZE shows a significant positive relation with DON2. This indicates that the larger the NGO, the higher the donation level. Other variables that show a significant positive relation with DON2 are DGENDER, INT_AID and INT. For an overview of the hypotheses results, see Table 15.

Table 15: Hypotheses conspectus

	2010	2011	2012	2013	2014	2015
H1	n.a.	n.a.	Rejected	Rejected	Rejected	Rejected
H2	Confirmed	Confirmed	Confirmed	Confirmed	Confirmed	Confirmed
H3	n.a.	n.a.	Rejected	Rejected	Rejected	Rejected

Table 16: Regression estimates of accountability on donation levels

DON2	2012	2013	2014	2015
TP	-.240**	-.233	.107	.126
	(-2.950)	(1.360)	(.470)	(.430)
TPP	-.906	1.471	1.250	.968
	(-1.520)	(1.150)	(.900)	(.440)
AGE	-.005*	-.007	-.007	-.009
	(-2.020)	(-1.300)	(-1.330)	(-1.370)
SIZE	.843**	1.040**	1.156**	1.500**
	(15.960)	(10.490)	(10.380)	(10.520)
CASH	-.260	.020	.192	1.240
	(-.880)	(.030)	(.280)	(1.400)
BIG4	-.220	.220	-.214	-.376
	(-1.180)	(.580)	(-.510)	(-.770)
INT_AID	-.131	.954*	1.032	.612
	(-.580)	(2.020)	(1.970)	(.950)
ENVIRON	.076	.690	.847	.770
	(.350)	(1.520)	(1.650)	(1.250)
SOCIAL	-.271	.037	.395	.344
	(-1.000)	(1.520)	(.590)	(.400)
INT	.677*	.358	.554	.895
	(1.780)	(.970)	(1.420)	(1.880)
DGENDER	.054	.675*	.435	.847
	(.370)	(2.100)	(1.220)	(1.970)
SHO	.483	.003	.051	-.195
	(1.480)	(.000)	(.070)	(-.240)
N	129	126	114	114
Adjusted R	.825	.629	.645	.628

**, * indicate statistical significance at 1 and 5% level respectively (two tailed; t-values below the regression coefficients in parentheses)

Model 3: $DON2 = \beta_0 + \beta_1 T_{i,t-1} + d_{1\text{-}4}\, SECTOR + d_5\, SIZE + d_6\, AGE + d_7\, TPP + d_8\, BIG4 + d_9\, CASH + d_{10}\, SHO + d_{11}\, DGENDER + d_{11}\, INT + \varepsilon$

5. Conclusion

In this section, a summary of the study is presented, whereby the results are further explained. Finally, implications and limitations of the study will be provided.

5.1 Summary

This paper investigated the relation between accountability, performance and donation levels.
To answer the research question, the effect of accountability on performance and donation levels were assessed. Moreover, it evaluated the effect of performance on donation levels. This paper complements transparency prize data (PWC archive) with financial information (CBF database). The sample for this study is 150 CBF accredited NGOs in the years 2010-2015, who participated in the transparency prize in the years 2011-2015.

A necessary input for the survival of an NGO is achieving a balance between the interests of all stakeholders and legitimizing their position in society (Deegan & Blomquist, 2006). Therefore, the board needs to be accountable to the various stakeholders and communicate whether management performance is in line with their expectations. Accordingly, we hypothesize that higher accountability leads to a better NGO performance. However, the results on the relation between accountability and performance do not support the hypothesis. A positive instead of negative sign of the coefficient was found for the performance indicator ADMIN. Furthermore, the interaction between accountability and the performance indicators PROG and FR were insignificant. Thus H1 is not supported. This is consistent with the results found by Buchneit & Parsons (2006), who states that a greater accountability doesn't necessarily improve NGO performance.

For the second hypothesis, the influence of performance on donation levels, regression analysis found a significant positive interaction only when using PROG as a proxy for performance. This is consistent with the research of ING (2016), which states that donors base their donation decisions on the reputation of the NGO. Therefore, when a NGO is well known for spending a high percentage of the revenue on achieving organizational goals, it could lead to higher donation levels. At the other hand, when using FR as the performance indicator, a significant positive relation has been found instead of a negative sign of the coefficient. It could be argued,

that donors don't base their donation behavior on whether NGOs generate funds efficiently. The more an NGO spend on fundraising activities, the better the brand awareness which leads to more donations.

Whereas Marudas & Jacobs (2009) found a negative relation between ADMIN and donation levels, the results of this study only found such a significant interaction in 2012. A reason that might help to explain this result is the sample. Research by Jacobs & Marudas (2009) employ data from the US. The donation behavior of the donors may not be the same as in the Dutch sector due to cultural differences which can influence donor behavior. According to the results, it can be stated that donors in the Dutch NGO sector pay less attention whether an NGO perform efficiently regarding administration and fundraising costs. This behavior could be explained by the fact that the CBF prescribes his accredited members (with revenues > 2m) that fundraising costs need to be a maximum of 25% of the fund revenues. Therefore, a donor choosing to donate to an CBF accredited NGO may pay less attention to these performance measures, as they assume that the organizations behavior is in line with the governance code of the CBF. Thus, as discussed above, H2 is partially supported.

The research of ING (2016) states that an increase in the level of transparency trough a report or other forms of media coverage, would enhance donors trust and lead to a stronger relation with the donors. Accordingly, we hypothesized that higher accountability is positively related with donation levels (H3). The regression analysis does not support the premises.

According to Gent et al. (2014), to attract funding, NGOs have an incentive to focus their efforts on achieving short term quantifiable accomplishments. Herein lies the reputation trap, as NGOs are focused on continuous production of tangible results to maintain their reputation and survive financially, instead of focusing their efforts into more durable outcomes. This short term focus can cause mission drift and is one of the negative externality of NGO accountability mechanisms (Gent et al., 2014). As mentioned above, H3 found no significant positive relation between accountability and donation levels. Thus, the NGO-donor relationship is not improved by strictly improvements in transparency and accountability (Gent et al., 2014), as the trend has been in recent years.

Concluding, the Dutch NGO sector lies in a reputation trap for no reason. They put their efforts in improving accountability, which could lead to agency problems as NGOs may pursue short term successes in order to communicate it through their improved yearly reports and gain reputation. But donors don't seem to be interested in more transparency. It could be argued that they want more trust that their donations are converted into quality investments towards achieving the underlying mission. But without reliable transparent information, there is no trust (ING, 2016). Therefore, moving forward, the NGO sector must find the optimal balance between quality communication and quality impact investment: walk the talk (De Dikke Blauwe, 2017).

5.2 Implications

The results of this paper have several implications. This paper fills the gap in prior studies by combining the interactions between accountability, performance and donation levels. The found significant relationship between program funding (PROG) and performance, indicate that donors pay more attention to the efficient usage of program funds than to administration and fundraising costs. To enhance donation levels, NGOs should therefore focus their policies on program funding rather than administration and fundraising costs.

Furthermore, the results question the accountability practices by Dutch NGOs. Given the insignificant relation found between accountability and donation levels, it could be questioned if NGOs are not better off by putting their efforts into durable organizational outcomes, instead of satisfying certain bureaucratic demands. It is recommended for NGOs to implement policies that can balance the extent of accountability and performance measurement, without drifting away from the mission. The results also have implications for regulators and standard setters. If they are aware of the level of association, it could help to develop a framework to further improve the NGO-donor relationship. The NGO-donor relationship needs to be improved in order the mitigate the effects of the reputation trap (Gent et al., 2014).

5.3 Limitations and recommendations for future research

There are also limitations in this study that should be acknowledged and could be helpful to guide future research. A limitation of this study is the proxies used for performance

measurement. As the non-profit sector lacks a commonly accepted indicator for performance (Miller, 2002), this study has used three different proxies for performance. The aspect that has been looked is efficiency. At the other hand, NGOs should also be evaluated on their impact and whether expected organizational goals are reached. As there is no single variable that can capture all aspects of NGO performance, a limitation has to be recognized. That said, future research should try to gather a proxy that captures both efficiency and effectiveness when measuring NGO performance. This could improve the results on this field of study.

A second limitation is the proxy used to measure accountability. As transparency is the literal value of accountability (Koppel, 2005), the transparency prize served as the measure for accountability in this study. It is possible that this proxy does not capture all aspects of accountability as shown in Table 2. This limitation is therefore also a recommendation for future research to try to gather a proxy that would capture a much broader aspect of accountability.

A final limitation is that limiting the data sample to NGOs that have a CBF certification mark introduces bias in the sample. It is recommended for future research to expand their data sample to non CBF certified NGOs as this could influence the results.

What could also be done in future research is expand the sample into an international perspective and not only focus on Dutch NGOs. The regression results may reverse by taking a more global approach, as different cultures might influence the donation behavior. Research on these issues should lead to a more complete understanding on the relation between accountability, performance and donation levels in the NGO sector.

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Appendix

Appendix 1

List of abbreviations

CBF	Centraal Bureau Fondsenwerving (Dutch institute for the monitoring fundraising organizations)
ER	Erkenningsregeling (CBF certification mark as of 2016, replacing the existing CBF certification mark, RfB keur and Keurmerk Goede Doelen)
FI	Nederland Filantropieland (Dutch institute for philanthropic knowledge exchange and activities)
GDN	Goede Doelen Nederland (Dutch branch organization)
NGO	Non-Governmental Organization
NPO	Nonprofit Organization
PWC	PricewaterhouseCoopers (Big-4 audit firm)
VIF	Variance inflation factors

Appendix 2

Transparency prize criteria

Nr.	Beoordelingscriterium	Klein	Groot
1	Doelstelling, beleid & strategie	10%	10%
2	Governance & organisatie	10%	12,5%
3	Fondsenwerving	10%	10%
4	Niet-financiële resultaten	20%	20%
5	Financiële resultaten	10%	10%
6	Toekomstinformatie	5%	5%
7	Communicatie met belanghebbenden	10%	10%
8	Communicatiewaarde van het verslag	20%	17,5%
9	Tijdigheid en (internet)beschikbaarheid	5%	5%
10	Internationaal	-	10% *)
	Totaal	**100%**	**100%**

Appendix 3

Multicollinearity

	H1/H3			H2	
	VIF	1/VIF		VIF	1/VIF
INT_AID	2,63	0,38	INT_AID	3,24	0,309
SIZE	2,18	0,46	ENVIRON	2,68	0,373
ENVIRON	2,01	0,5	SOCIAL	2,43	0,412
CASH	1,61	0,623	SIZE	1,89	0,528
BIG4	1,6	0,626	CASH	1,57	0,636
SOCIAL	1,52	0,66	AGE	1,45	0,69
AGE	1,41	0,707	BIG4	1,44	0,695
SHO	1,37	0,727	SHO	1,33	0,754
INT	1,25	0,8	INT	1,27	0,789
TP	1,23	0,816	ADMIN	1,13	0,888
DGENDER	1,09	0,92	FR	1,12	0,89
TPP	1,08	0,93	PROG	1,11	0,904
			DGENDER	1,07	0,931
MEAN VIF	1,58		TPP	1,03	0,976
			MEAN VIF	1,62	

**HEALTH = omitted*