

UNIVERSITY OF GHANA

**CORPORATE GOVERNANCE, FUNDRAISING AND OPERATIONAL EFFICIENCY
OF NON-GOVERNMENTAL ORGANIZATIONS IN GHANA**

**BY
THEODORA EKUA ARYEE**

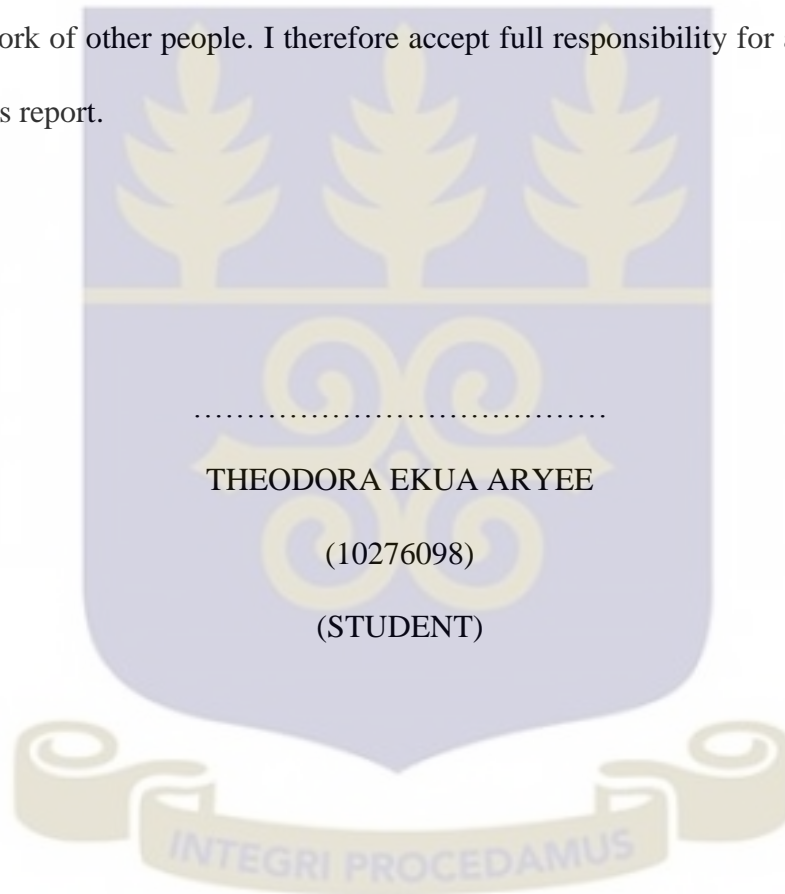
**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER
OF PHILOSOPHY (ACCOUNTING) DEGREE**

MAY, 2015

DECLARATION

I, Theodora Ekua Aryee, hereby declare that this thesis is an independent account of my research conducted under the supervision of Dr. Ibrahim Bedi and Dr. Francis Aboagye-Otchere of the Department of Accounting, University of Ghana Business School.

I attest that, this thesis has not been presented either in whole or in part for any award in any other institution and full acknowledgements have been given to all references cited and ideas taken from the work of other people. I therefore accept full responsibility for any error that may be included in this report.



CERTIFICATION

We hereby certify that this thesis was supervised in accordance with procedures laid down by the University of Ghana.

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DEDICATION

To God Almighty, and my wonderful parents, Very Rev. and Mrs. Aryee



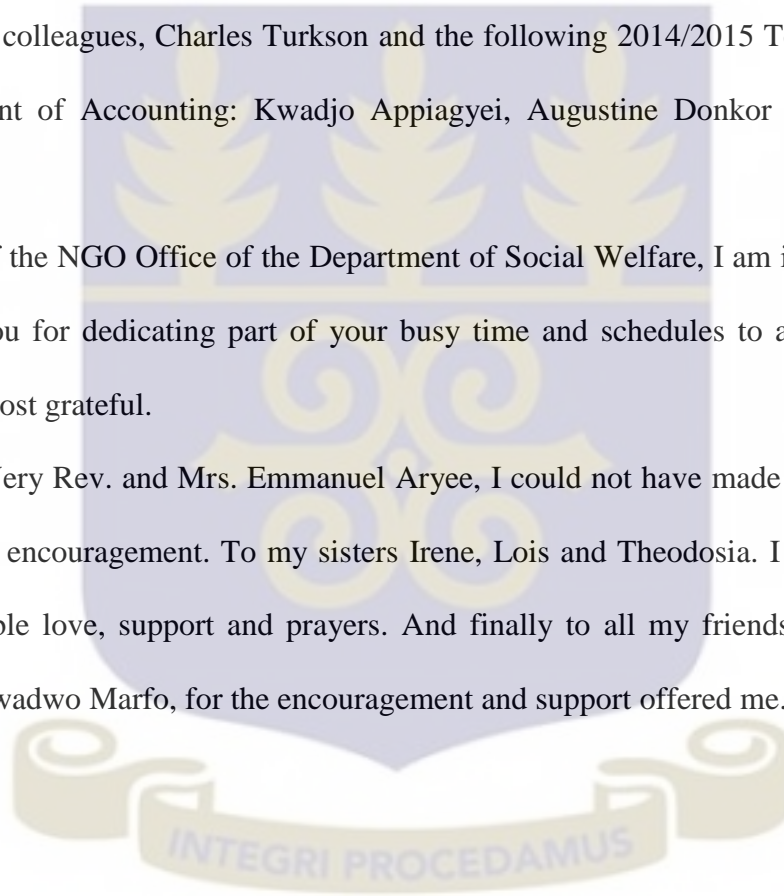
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ABSTRACT

Corporate governance (CG) literature implicitly assumes that profit making organizations are the subject of analysis, as a result of the stress placed on them in CG literature. However, the findings in the profit making organizations cannot be replicated in the non-profit organizations due to the differences in the motives of existence. Various studies that have been conducted in the NGO setting tend to implicitly associate their governance narrowly to the boards, often to the neglect of the wider governance system. This has led to little emphasis on the wider CG mechanisms and its effect on organizational efficiency, especially in a developing economy, such as Ghana, where there have been calls for further understanding in their governance frameworks. Therefore, this study sought to assess the effect of CG mechanisms on the amount of funds raised and operational efficiency, as measured by technical efficiency (TE), allocative efficiency (AE) and liquidity. Additionally, the influence of the operational efficiency of NGOs on the amount of funds raised was assessed. Panel data for NGOs operating in Ghana over the period of 2009- 2013, available at the Department of Social Welfare, resulting in a sample of 146 NGO-year, data was analysed using the ordinary least squares (OLS) regression. The findings of this study indicate that NGOs which put in place CG mechanisms such as CEO- Duality and employ the services of a BIG-4 audit firm leads to the NGO raising more funds. The results also show that gender diversity and the separation between CEO/Executive Director ensure quality in the monitoring role the board plays leading to technical efficiency of the board. Additionally, the operational efficiency of the NGO has an impact on the amount of funds it is able to raise. This study responds to the calls to increase the minimal corporate governance literature on NGOs in a developing economy, and goes further to show how the wider CG mechanisms affect their operational efficiency and the amount of funds raised.

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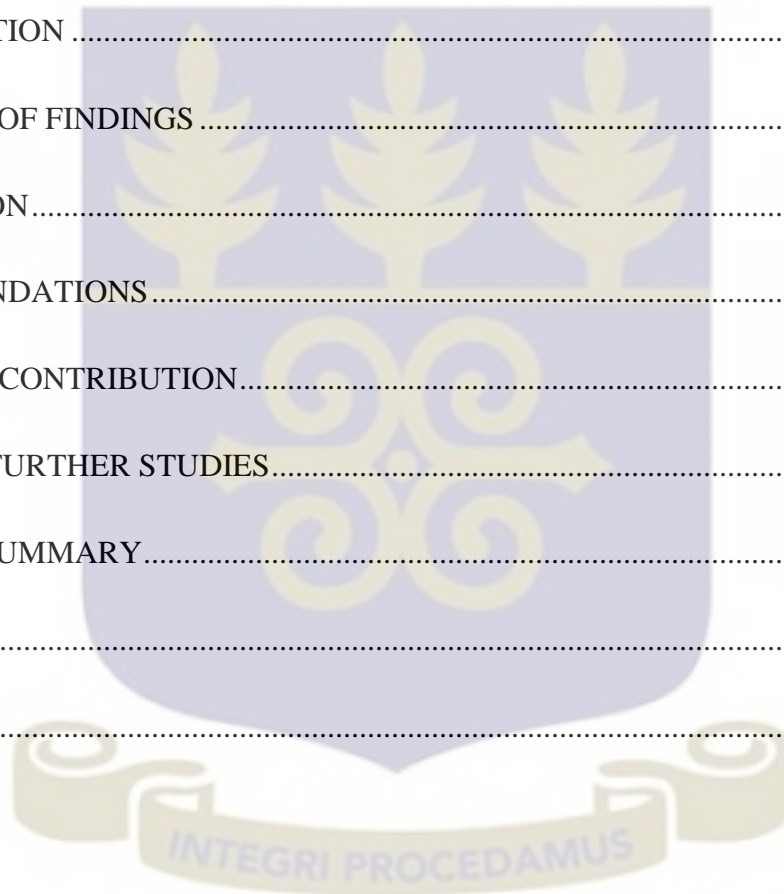
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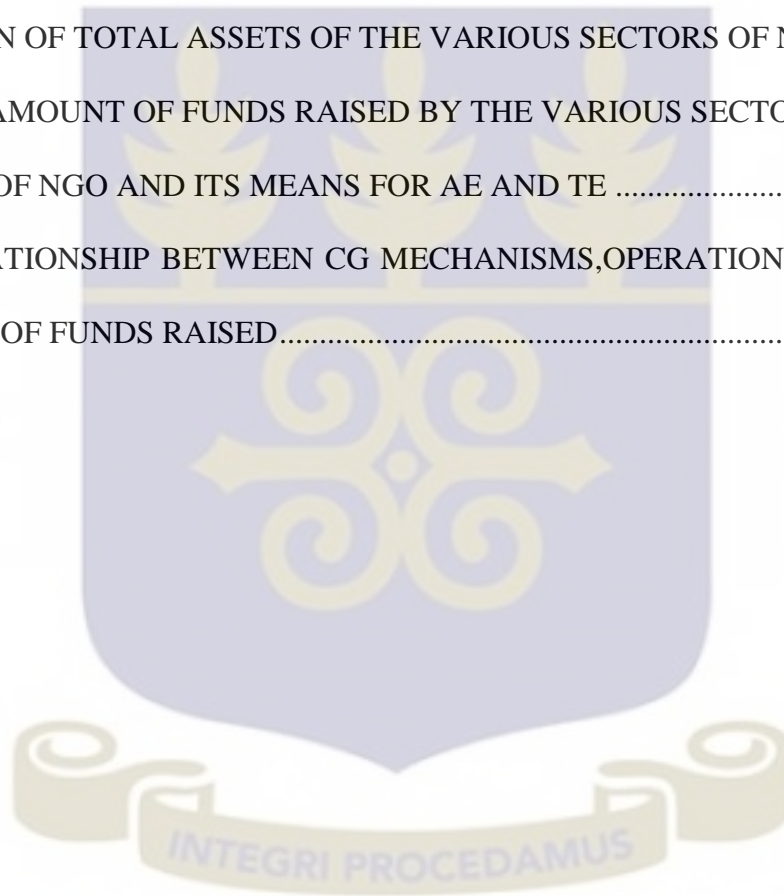
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LIST OF ABBREVIATION

NON- GOVERNMENTAL ORGANIZATIONS -	NGOS
CHIEF EXECUTIVE OFFICER-	CEO
CORPORATE GOVERNANCE-	CG
ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT-	OECD



CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Corporate governance has become an important area in academic research due to the various scandals such as those of Enron (USA), Parmalat (Italy), Notel (Canada), Arconda (Germany), Quintex (Australia) and WorldCom (USA) that have taken place over the years. Although the degree of scandals that had been reported in the profit making organizations has not been recorded in the NGO sector, stakeholders are concerned about accountability and transparency issues that exist within the sector (Reddy *et al.*, 2013).

The term Non-Governmental Organizations (NGOs) can be applied to any non-profit organization that is independent from government (Willets, 2006). NGOs have enjoyed a boom in terms of the volume of funding that they have received from donors and at a point in time, many donors spent a chunk of their budget on NGOs (Moore & Stewart, 1998). For example in 2011, USD 19.3 billion of official development assistance (ODA) was allocated to and through NGOs compared to USD 17.3 billion on average over the period 2008-2011 (OECD Development Co-operation Directorate, 2013). The World Bank adds that in developing countries alone, there is an estimated six thousand (6,000) to thirty thousand (30,000) national NGOs. This clearly shows that NGOs have experienced an explosive growth and become large and financially wealthy, controlling resources exceeding that of various corporations and even of governments; yet still remain relatively unregulated in many parts of the world (Hugill & Siegel, 2013; Naidoo, 2003). This fact has in recent times stirred a debate on the need to ensure increased accountability in the sector. There are also various factors that exist in these NGOs that signal that the manner in which they are managed and controlled need to be improved. These

factors include: the increasing number of theft cases involving people related to NGOs; the problems relating to the quality and frequency of financial statement of NGOs; and the lack of information relating to how these NGOs are managed with emphasis on how the donor funds received are administered. All these factors point to the need for good corporate governance practices to be instilled in their operations to make them accountable, transparent and credible in the eyes of their varied stakeholders (Karajkov, 2006; Kurkure, 2006). There is the need to emphasize greater accountability, increased government regulation as well as self-regulation by the NGOs themselves considering the huge resources that these NGOs control. However, the NGOs themselves have become increasingly aware of the reputational risk that they are exposed to, considering the environment they currently operate in. In essence, the age of “blind faith”, where people had unreserved trust in the activities of NGOs has given way to the era of accountability (Naidoo, 2003). Most individuals and organizations that support NGOs do so for altruistic and ethical reasons and may not particularly be concerned about the statement of financial position and performance indicators in the NGOs they donate to. However, NGOs need to be consistent and loyal in the use of the funds for intended purposes to assure donors of their credibility. This has called for several efforts around the world to put in place strong corporate governance structures for NGOs.

Ghana featured in the top four rankings in 2013 for the first time, having been previously ranked in the bottom half of the top 10 Foreign Direct Investment destinations (Ernst & Young, 2014). In recent times, there have been stories of some individuals who use NGOs as a façade for soliciting money from donors. One way of preventing these NGO scandals may be the institution of good corporate governance principles and codes to guide the actions of these entities. However, Simpson (2008) posits that Ghana does not have any specific legislation(s) and codes

on governance or reference guidelines that are tailored towards the regulation of Ghanaian NGOs. The issue of the corporate governance practices currently pertaining to the NGO sector in Ghana should be of much concern.

Boards are a vital part of the corporate governance framework of any organization, whether profit making or not-for-profit (Li & Harrison, 2008). Boards bring various benefits to organizations: information in the form of advice and counsel; access to channels of information between the firm and environmental contingencies; preferential access to resources; and legitimacy (Pfeffer and Salancik, 1978). However, in the NGO setting, a key responsibility of boards is their fundraising role (Ingram, 2003). Various board characteristics such as the size and composition are indicators of the ability of the board to provide critical resources to the firm (Hillman *et al.*, 2009).

The motive for existence of both profit and non-profit organizations is clearly different; for profit organizations seek to maximize shareholders wealth whereas NGOs are set up not for profit motives but rather seek to fulfill its core mission for which they were set. Hence, for a non-profit organization, performance is measured against the mission. Epstein and McFarlan (2011) assert that, achieving financial sustainability is very different for NGOs as it cannot easily have access to public equity markets. Hence for NGOs, performance is usually measured using efficiency performance measures to assess past impacts (Epstein & McFarlan, 2011). Very little is known about the relationship that exists between corporate governance practices of NGOs and the impact it has on their efficiency (organizational performance).

A frequently deliberated issue regarding NGOs is the degree to which they efficiently spend monies donated to them, in advancing the mission of the NGO (van der Heijden, 2013). Van de Heijden (2013) further asserts that this debate is often focused on the financial efficiency of these

NGOs. Most NGOs take the perceptions of the public regarding the appropriate efficiency levels seriously, since they are aware that a lack of perceived financial efficiency may eventually cause a drop in donations (Parsons, 2007).

1.2 PROBLEM STATEMENT

The issues of corporate governance have been stressed in profit making organizations, especially in listed firms (Renders & Gaeremynck, 2012; Filatotchev & Wright, 2011; Firth *et al.*, 2007; Abor & Adjasi, 2007; Tsamenyi *et al.*, 2007; Filatotchev *et al.*, 2005). Various corporate governance literatures have an implicit assumption that corporate governance is a preserve of publicly traded firms (Turnbull, 1997). Thus, although a lot has been done on corporate governance, not much attention has been given to the governance practices in other forms of organizations such as non-profit making organizations (Dyl *et al.*, 2000; Eldenburg *et al.*, 2004; Reddy *et al.*, 2013). Moreover, the unique differences in their governance structures with emphasis on issues of board size, committees, voluntary and paid governance make it difficult to replicate the findings of the profit making organizations to the nonprofit organizations (Epstein & McFarlan, 2011).

Literature asserts that board characteristics affect the amount of funds that NGOs are able to raise (Hillman *et al.*, 2009). Nonetheless, the findings of the associations between board characteristics and funds raised by NGOs found in one jurisdiction cannot be generalized, as these characteristics are diverse and strongly influenced by their context (Ostrower & Stone, 2006).

Additionally, although the growth of NGOs is still on the rise, funding issues have become particularly challenging, following the recent economic crisis. And one of the prevalent response

in the literature as to how the non-profit sector can attract funding is for them to manage themselves better and more efficiently in the new competitive and performance-driven world they now face (Frumkin & Kim, 2001). However, the question that still lingers is whether the changes that have swept across the funding landscape have transformed donors to take the efficiency of the recipient organizations seriously and affect the amount of funds donated (Van der Heijden, 2013; Frumkin & Kim, 2001).

According to Tricker (2009), prior literature on the relationship between firm performance and corporate governance characteristics in profit making organizations has been described as weak, inconclusive and varied. Besides, literature on non-profit governance narrowly focuses on the relationship between board composition and organizational efficiency (Yermack, 1996; Klein, 1998; Callen *et al.*, 2003). In effect, little is known about the relationship between the general relationship between board composition and organizational efficiency characteristics of corporate governance and organizational efficiency (organizational performance) in non-profit making organizations, which includes NGOs (Reddy *et al.*, 2013). The variation in prior results for both profit making and non-profit organizations has been ascribed to governance attributes being dependent on context and on firm- specific circumstances (Ostrower & Stone, 2006; Bhagat & Bolton, 2008).

Furthermore, NGOs in developing economies such as Ghana are lagging behind especially in the area of governance and accountability (Simpson, 2008). However, the research on corporate governance of NGOs in Ghana is minimal, and as such holds the potential for further work into their governance framework (Fiador, 2013). Therefore, this study seeks to investigate the effects of board characteristics and operational efficiency on the amount of funds raised by NGOs in

Ghana. The study also explores the relationship between corporate governance practices and the operational efficiency of NGOs in Ghana.

1.3 RESEARCH OBJECTIVES

This study was conducted to assess the relationship between corporate governance, amount of funds raised and operational efficiency of NGOs in Ghana. Specifically, the objectives examined were:

1. To assess the effect of board characteristics on the amount of funds raised by NGOs.
2. To examine the effect of operational efficiency on the amount of funds raised by NGOs.
3. To determine the effect of corporate governance practices on operational efficiency of NGOs.

1.4 RESEARCH QUESTIONS

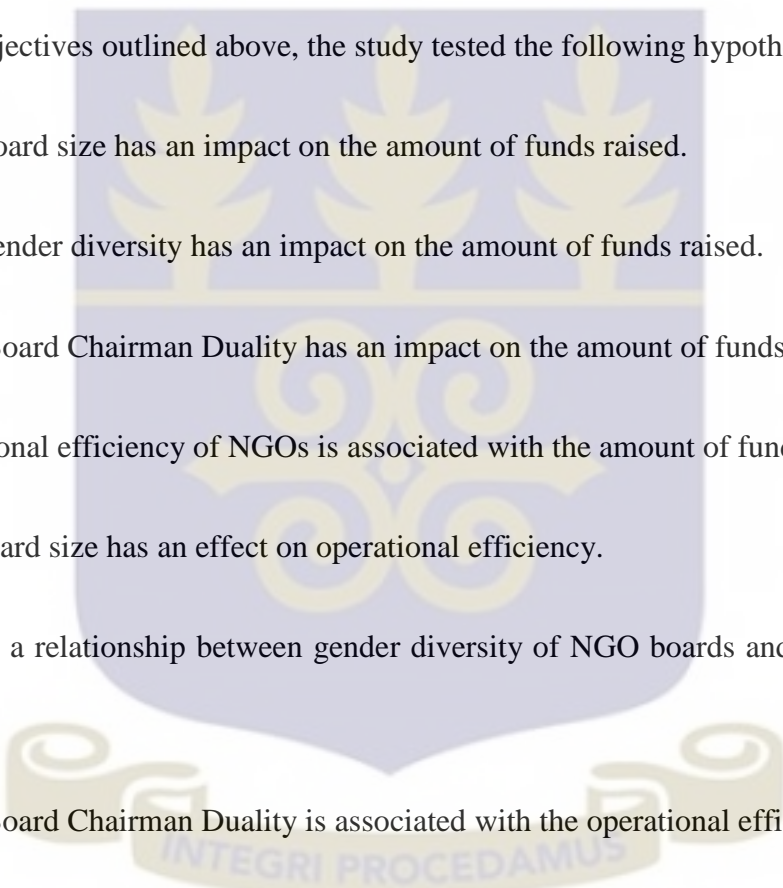
The study sought to achieve the objectives by addressing the following questions:

1. Do board characteristics have an influence on the amount of funds raised by NGOs in Ghana?
2. Does operational efficiency have an influence on the amount of funds raised by NGOs in Ghana?
3. Do the board characteristics of NGOs in Ghana have an effect on their operational efficiency?

4. Does the presence of larger donors in NGOs in Ghana have an effect on their operational efficiency?
5. Does the choice of a BIG 4 or non-BIG 4 external auditor have an effect on the operational efficiency of NGOs in Ghana?

1.5 STATEMENT OF HYPOTHESIS

To achieve the objectives outlined above, the study tested the following hypotheses:

- 
- H₁: NGO board size has an impact on the amount of funds raised.
- H₂: NGO gender diversity has an impact on the amount of funds raised.
- H₃: CEO- Board Chairman Duality has an impact on the amount of funds raised.
- H₄: Operational efficiency of NGOs is associated with the amount of funds raised.
- H₅: NGO board size has an effect on operational efficiency.
- H₆: There is a relationship between gender diversity of NGO boards and their operational efficiency.
- H₇: CEO- Board Chairman Duality is associated with the operational efficiency of NGOs.
- H₈: The presence of larger donors has an impact with operational efficiency in NGOs.
- H₉: The choice of a BIG 4 or non-BIG 4 external auditor have an effect on the operational efficiency of NGOs.

1.6 RESEARCH SIGNIFICANCE

The significance of this research can be observed in three strands; namely research, practice and policy.

In relation to research, this study is significant in the sense that most of research conducted in the area of corporate governance are more geared towards profit making entities and developed economies, hence this study adds to the body of knowledge of corporate governance research in NGOs in a developing economy such as Ghana by looking at their CG mechanisms and how it affects their amount of funds raised and operational efficiency. Considering the various jurisdictions that most research covers, their NGO sector is a highly regulated one with certain legal requirements that need to be met. However in Ghana, the NGO bill is still before Parliament and is yet to be passed into law, clearly indicating a weak legal system that governs NGOs in Ghana. Therefore, this research also serves as a source of reference for researchers and people in academia for further research into the area of study. In effect, it adds to minimal literature and knowledge on corporate governance, fundraising and operational efficiency of NGOs in a developing economy. The results of this study is important in the further development of sound governance structures which involves stakeholders and auditing guidelines to improve corporate accountability leading to better performance in NGOs in Ghana.

Practically, the study helps provide guidelines to NGOs on the factors to adopt and emphasize in order to enhance their corporate governance practices to strengthen their credibility and assure stakeholders of the use of their resources for its intended purposes. The study will also help NGOs continue to attract donor funding for the administration of their projects.

Concerning significance to policy, the study helps bring an understanding to issues related to management and control of NGOs and consequently to help regulatory bodies and policy makers in this sector to develop standards and codes that are sensitive to the NGO sector.

1.7 SCOPE AND LIMITATION OF THE RESEARCH

This study focuses on NGOs in Ghana. The NGO sector characterizes a venerable sector in many national economies, especially in developing economies such as Ghana, where they have experienced exponential growth in scope and size, and made giant strides in positively impacting the societies in areas such as education, health, women, youth and children development and so on (Hoque and Parker, 2015).

Various literature on corporate governance in Ghana tends to focus more on profit making organizations especially listed firms. Additionally, in many accounting and management research, NGOs have arguably been subjected to a variety of misconceptions ranging from mistaken role definitions, through incorrectly assumed best practices, inappropriate strategies and management tools imported from the private sector, to the neglect of their unique characteristics and associated needs. These challenges are brought to bear when the questions of nonprofit organization accountability, governance and performance management are put under the spotlight. This study therefore sought to examine the accountability, governance and performance management processes within nonprofit organizations, in context such as Ghana where these NGOs have been described by Simpson (2008) as having a weak regulatory framework. In doing so it presents a general overview of the nonprofit sector's societal positioning and role and goes on to consider the impact of these governance frameworks on its fund raising and efficiency.

This study sought to assess the period 2009- 2013 for two main reasons. Firstly, the study of Simpson (2008), which seems to be one of the very few studies that have looked at the governance frameworks of NGOs operating in Ghana, assessed the framework till 2008. Hence this study sought to go beyond 2008, and review if there have been any changes in the governance framework especially in a period where there seemed to have been a bit of improvement on NGO regulation, that is with the mandatory requirement to file their annual reports with the NGO office of the Department of Social Welfare before renewal of yearly licence is issued. Secondly, even though the 2014 financial year has ended, the needed financial information from these NGOs for 2014 are not readily available, making it virtually impossible to include 2014 in this study. Besides, it was easier to obtain financial information from such organisations within this period from the Department of Social Welfare due to the new requirement for renewal of annual licence. Therefore, the study was based on NGOs that had filed at least one audited statement for renewal of license within 2009- 2013 and that the report was available at the NGO Office at the Department of Social Welfare.

The limitation of the study was the methodological limitation. Alternative measures could have been used in measuring the variables used in this study, which could have resulted in contrary findings. For example in literature, there are other alternative efficiency measures that could be used apart from the measures adopted in this study. Caution should also be exercised when interpreting results as this study is a case study of the Ghanaian environment. It is also to be noted that the study adopts a small sample size, which may have had a bearing on the results of this study.

1.8 CHAPTER DISPOSITION

In addition to the introduction chapter, there are four (4) other chapters. The first chapter (the introduction chapter) discusses the research objectives, its hypothesis, significance and the scope and limitations of the study.

Chapter two is the Literature Review. It gives an in depth description of the concept of corporate governance. It further reviews empirical literature on board characteristics and its impact on the amount of funds raised. Also, it focuses on empirical research in the area of corporate governance characteristics and its relationship with the efficiency of NGOs. The relationship between efficiency of NGOs and the amount of funds they are able to raise is also explored. It concludes with the theoretical framework of the study.

The third chapter outlines an extensive analysis of the processes engaged in order to attain research objectives that this study seeks to address. This chapter discusses the research philosophy, explains the research strategy and design adopted, highlights the data collection methods and mode of data analysis to be employed in this study to answer the research questions posed.

Chapter Four presents the analysis and interpretation of data collected in line with the objectives of the empirical study. It also determines the significance of the relationships established between the variables, considering the testing of the hypothesis proposed.

The concluding chapter, chapter five, presents the summary of findings, the conclusions of the study based on the findings and recommendations of the research.

1.9 CHAPTER SUMMARY

The chapter presented the background to the study and defined the problem of the study. Objectives were then developed, from which research questions and hypotheses were stated. The

significance of the study was specified and a summarized methodology was stated. Finally, the scope and limitations of the study were enumerated, with a summary of the various chapters of the study clearly indicated.



CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

This chapter presents a review of relevant literature that is related to the study. It begins with the theoretical framework that underpins this study. It gives an in depth description of the concept of corporate governance. It goes further to review empirical literature on board characteristics and its impact on the amount of funds raised. The relationship between efficiency of NGOs and the amount of funds they are able to raise is also explored. Also, it focuses on empirical research in the area of corporate governance characteristics and its relationship with efficiency of NGOs.

2.1 THEORETICAL FRAMEWORK

For the purposes of this study, the Agency theory and the Resource dependency theory are used as the underpinning theories. The review of literature recommends the use of these complementary theories due to the emerging recognition in literature that the agency theory is not able to adequately capture all the implications for how nonprofit governance benefits organizations and enhance the understanding of how boards can improve organizational performance (Hillman & Dalziel, 2003). Hence, Hillman and Dalziel (2003) further recommended the inclusion of the principles of resource dependence theory to capture the implication of NGO governance adequately. Also, there has been the argument that because the nonprofit environment is often more complex and heterogeneous than the for-profit world, no one theory describes all tasks of nonprofit boards (Miller-Millesen, 2003; Callen *et al.*, 2010). Callen (2010), also reports that the two theories are complementary and address different aspects

of nonprofit performance. Hence, considering the context of this research, these complementary theories offer the most leverage in attaining the objectives of this study.

2.1.1 Agency Theory

This arises as a result of the agency dilemma that exists in organizations. In a principal-agent relationship, the principal delegates control to an agent, who is expected to act in a way that is consistent with the interests of the principal (Jensen & Meckling, 1976). When applied to corporate governance, principals or owners delegate control to executive managers who act as their agents. Managers are expected to act in ways that further the interests of the owners or shareholders. However, a fundamental assumption of the theory is that the interests of managers will not always be perfectly aligned with the interests of the shareholders. In literature, this theory has been applied in diverse ways, especially when it comes to profit making boards and non-profit making boards. The agency theory has been used predominantly in the research on boards of directors.

Agency theory has been used to understand the corporate board's role in monitoring executive behavior to assure that managerial objectives are aligned with shareholder interests. Daily *et al.* (2003) argued that two factors can influence the prominence of agency theory. First, the theory is a conceptual and simple theory that reduces the corporation to two participants; managers and shareholders. Second, agency theory suggests that employees or managers in organizations can be self-interested. There is an unequivocal and clear implication for corporate governance from an agency theory perspective that suggest that adequate monitoring or control mechanisms need to be established to protect shareholders from management's conflict of interest– the so-called agency costs (Fama & Jensen, 1983; Kiel & Nicholson, 2003). Agency theory has suggested normative recommendations that boards should have a majority of outsiders, independent

directors and that the position of chairman and CEO should be held by different persons (OECD, 1999).

In a study conducted by Viader and Espina (2014), they found that models drawing from Agency theory, characterized by its controlling focus, are the most common used by NGOs in Puerto Rico. The authors conclude that in the interest of attaining the mission of the NGO, the boards of the NGO have identified the need to overlook and control the operations and financial performance of the organizations as one of their primary roles. The agency theory is appropriate for this study because according to Coule (2015), the agency theory in summary considers the founder or member representatives to ensure conformance through: protecting the founders' interests; determining mission and purpose; ensuring programs, manager's actions and resource allocation is congruent with mission and purpose.

2.1.3 Resource Dependency Theory

This theory has great influence on roles that boards of directors play. This theory suggests that the board reduces the level of dependency and aid firms to gain resources.

Pfeffer and Salancik, (1978) suggest that the resource dependency (RD) approach hold the potential to aid in acquiring and sustaining essential resources needed for the survival of the organization. The personal and professional networks of board members are of advantage to the organization, as they provide the organization access to information and help to reduce the level of uncertainty. The RD theory highlights the boundary spanning responsibility of boards especially and is a key determinant of board composition. To the resource dependence theorist, information is essential in reducing environmental uncertainty. Board members link the organization to critical elements in the operational environment and provide management with important information about how influential others evaluate the organization.

In summary, a board composed of influential members from the organization's external environment performs a boundary-spanning function that absorbs uncertainty, reduces operational dependencies, exchanges information, represents the organization to external stakeholders, and enhances overall performance (Middleton, 1987; Provan, 1980). Resource dependence theory makes an important contribution to understanding board behavior. The theory is useful in that it highlights the board's capacity to unite the organization with its environment.

EMPIRICAL REVIEW

2.2 THE CONCEPT OF CORPORATE GOVERNANCE

Corporate governance dates back to Adam Smith's book on the *Wealth of Nations* that stated that, managers would not be so vigilant overseeing monies of others since it was not their own. The definition of corporate governance differs depending on the author's view of the world (Gillian, 2006). Hence various definitions have over the years been coined to explain this concept. Several attempts have been made in literature to define corporate governance, both in a very complex manner and in an over simplified way (Tricker, 2009).

Gillian and Starks (1998) have defined corporate governance as the system of laws, rules and factors that aid in the operations of a company. Shleifer and Vishny (1997) also define corporate governance as the means in which providers of finance in organization assure themselves of getting a return on their investment. According to Tirole (2001), corporate governance refers to how institutions are designed so as to prompt or force management to co-opt the well-being of all stakeholders. More specifically, corporate governance is the system by which organizations are directed and controlled (Anheier, 2005). Furthermore, according to Jergers (2009), when corporate governance is mentioned, the word 'corporate' goes beyond profit making

organizations. Nevertheless, Reddy *et al.* (2013) assert that the various definitions of corporate governance that exist in the literature are not suitable for NGOs. But Harris *et al.* (2014) define corporate governance in terms of a non-profit setting, as the “set of internal and external mechanisms that is designed to ensure that managers are working to fulfill the charitable mission and fiduciary responsibilities of their organizations, and in turn minimize the misuse of charitable assets.” This definition is adapted for this study.

Until the 20th Century, the sector that had its governance issues highly stressed was that of listed companies. However with time, the various principles and concepts that had been purported for the governance of listed firms became applicable to the non-listed firms and that of other organizations. Corporate governance procedures, models and policies have overtime been developed for educational bodies, sporting organizations, medical bodies, professional institutions, NGOs and even corporations under government. Codes have been developed to guide and govern operations of some of these bodies in various jurisdictions.

Contemporary discussions on corporate governance tend to focus on principles from three documents that have been released since 1990: The Cadbury Report (UK, 1992), the Principles of corporate governance (OECD, 1999 and 2004) and the Sarbanes-Oxley Act of 2002 (US, 2002). The Sarbanes Oxley Act is an informal attempt by the United State government to legislate recommended principles in the Cadbury and OECD reports that were meant to guide general business operations.

The Cadbury report outlined certain principles for corporate governance. These principles are Openness, Integrity and Accountability and have been defined by the International Federation of Accountants (IFAC). Openness has been defined as ensuring that stakeholders have a high level of confidence in the decision making process of the entity. Integrity is also based on

trustworthiness, neutrality and high standards of decorum and faithfulness in the stewardship of public funds and resources and how an entity's affairs are managed. It is mirrored in the quality of its financial and performance reporting. Accountability is where organizations and individuals within them are liable for their decisions and actions, including their stewardship of public funds and all aspects of performance and submit themselves for external enquiry. From these principles emanate the “dimensions” of the governance of public sector entities which is applicable to non-profit making organizations and these dimensions are discussed below:

- Standards of behavior deal with how the management of the organization plays its leadership role in determining the standards and values of the organization. This dimension defines the organizational culture and the behavior of everyone within it. It involves ensuring ethical conduct, as well as having codes of conduct to govern behavior within the organization.
- Organizational structures and processes refer to how the top management within organizations are chosen and structured, how their roles and responsibilities are defined, and the mechanisms put in place for monitoring performance.
- Control shows the network of various controls set up by the organization's top management to support it in achieving the objectives of the entity, the effectiveness and efficiency of operations, the dependability of internal and external reporting, and compliance with relevant laws and regulations and internal policies. In summary, it deals with internal control, risk management, internal audit, audit committee, external audit and budgeting and financial management within the organization.
- External reporting refers to how the top management of the organization exhibits its financial accountability for the stewardship of public money and its performance in the use of resources.

2.3 THE NECESSARY TENETS OF CORPORATE GOVERNANCE

There are various systems and structures that have been suggested in literature to be key underlying elements of corporate governance. These systems and structures have been identified to be important in ensuring that corporate governance plays the role of mainly ensuring accountability and transparency in an organization. Literature generally categorizes corporate governance under the internal and external mechanisms. Current research argues that the business environment is a dynamic one and hence the need to continuously review the existing corporate governance practices to reflect the changes.

2.3.1 Internal Control Mechanisms

Internal control governance characteristics consider the corporate governance structures and processes that are within the control of the firm's shareholders and the board of directors (Brown *et al.*, 2011).

2.3.1.1 The Board of Directors

Jensen (1993) describes the board of directors as the apex of the governance system and as having ultimate responsibility for the effective functioning of the organization.

The Cadbury Report (1992) also placed the corporate board at the center stage of the governance system, and described it as one by which companies are directed and governed, and hence occupy a distinctive position in the organization. Osei (2014) posits that boards of directors are persons with "full dispositive capacity". The composition of the board of directors generally comprise of executive directors, non-executive directors and independent directors.

Pugliese, Minichilli and Zattoni (2014) state that boards of directors are an important part of the mechanisms and structure in organizations and have their key responsibilities to include:

monitoring managers and firm performance, and providing advice and access to resources. However the responsibilities of the board are grouped into five categories comprising: oversight, fiduciary, legal, strategic direction and self- appraisal and renewal.

According to the OECD guidelines, the board is responsible for reviewing and guiding corporate strategy; monitoring the effectiveness of the company's governance practices and making changes when necessary; and selecting, compensating, monitoring and, when necessary, replacing key executives. The board also has the responsibility of ensuring that potential conflicts of interests of management, board members and shareholders are monitored and well managed; aligning key executive and board remuneration; and ensuring the integrity of the organization's accounting and financial reporting systems as well as overseeing the process of disclosure and communications (OECD, 2004).

In the nonprofit making setting, boards have the function to institute the objectives of the organization and manage the affairs of the organization. The board must seek the interest of the multiple stakeholders that exist in the nonprofit setting (Aggarwal *et al.*, 2007). The roles of boards in NGOs are varied, among which include the boundary spanning functions of boards. These functions include; reducing uncertainty, raising money for the NGOs, enhancing the image of the NGOs, and managing interdependencies that are problematic in nature.

2.3.1.1.1 Board Structure

The composition of Boards constitutes a major part of the corporate governance structure of any organization (Garg, 2007). The board structure involves board size, composition, leadership and the information between board structures (Maassen, 1999). Literature asserts that board characteristics such as board independence, board size, CEO/Chairman duality role and intensity of board activities are considered major concerns for effective corporate governance with regards

to the role of board of directors. In the study of board characteristics, there are various variables that are studied considering the questions that the various studies sought to answer. For example, in a study by Abidin, Kamal and Jusoff (2014) on board structure and corporate performance in Malaysia, the authors used four board characteristics in their study namely; board composition, directors' ownership, CEO duality and board size. Also, Garg (2007) views board composition as board size and board independence. Furthermore, in the context of a study conducted by De Andrés-Alonso, Cruz, and Romero-Merino (2006), board characteristics was defined to include size, relative number of outsiders, rotation of board members, presence of an executive committee, minimum number of board meetings per year, and the founder of the organization. Hence, it is evident that various studies define board characteristics quite differently; however, the common measures that run through are board size, board composition and CEO duality.

2.3.1.1.2 Board Size

The size of the board has been shown to have a material impact on the quality of corporate governance. While various studies, especially in the profit making setting suggest that boards with smaller size tend to be more preferred as they help reduce monitoring, communication and co-ordination problems (Yermack, 1996; Hermalin & Weisbach, 2003), literature on corporate governance in NGOs suggest otherwise. For example, Hillman and Dalziel (2003) argue that the larger the board, the larger the amount of resources that the organization is able to raise.

2.3.1.1.3 Board Composition

Board composition refers to the number of independent non-executive directors on the board relative to the total number of directors. The board usually delegates most executive powers to the executive management in order to aid them perform their responsibilities. Consequently, the

executive management is also held accountable to the board for their performance. Usually, board of directors is made up of both executives and non-executives. Executive directors are individuals who combine their role as directors with their positions within the executive management of the company.

Non-executive directors (NEDs) perform the functions of directors only, without any executive responsibilities. That is, a non-executive director is defined as independent directors who have no affiliation with the firm except for their directorship (Clifford & Evans, 1997). Because executive directors combine their stake in the company as directors with their stake as fully paid employees, their interests are likely to differ from those of the non-executives. The composition of Boards has also been identified to be vital in their effectiveness. Again, there must be a blend between executive and non-executive directors. The role of the non-executive directors is more directed towards monitoring and as such their independence is crucial.

2.3.1.1.4 CEO-Board Chairman Duality

There is a probability of some influential individuals dominating the decisions of the board and exerting strong influence over their colleagues. One of such individuals is likely to be the board chairman, who can either be a non-executive or can have some executive responsibilities, and the chief executive officer (CEO). The chairman is responsible for the functioning of the board. The CEO, on the other hand, is the senior executive director and is accountable to the board for the executive management of the company. The question pertaining to whether the chairman and CEO positions should be separate has been controversial. There have been several advantages and drawbacks of separating the chairman and CEO positions as have been extensively outlined in literature. This debate when considered in different theoretical lens, suggest a different approach as to how to view it. Typically, considering this debate in the light of the agency theory

and stewardship theory would lead to assuming different stance. While the agency theory indicates that the separation is important, the stewardship theory says this separation is not needed. However, most corporate governance codes and guidelines advocate for the separation of the role of CEO and chairman of the board, considering how fundamental they are and the differences in their roles (Cadbury Report, 1992).

2.3.2 External Control Mechanisms

In broad terms, the external control mechanisms are beyond the control of the shareholders and the board and can either be seen as a complement or substitute to the internal control mechanisms (Brown *et al.*, 2011). Various studies have focused on monitoring done by block holders and analyst (Bethel *et al.*, 1998; Lang *et al.*, 2004); the role of external auditor to ensure audit quality and reassure investors of management's stewardship (Watts & Zimmerman, 1983; Carcello *et al.*, 2002; Krishnan & Visvanathan, 2009); competition and takeovers (Gompers *et al.*, 2003) and legal and regulatory mechanisms (Linck *et al.*, 2005; Leuz *et al.*, 2005; Coles & Hoi, 2004). However, many of the articles and studies in this area are largely on the profit making organizations that have quite strict regulations governing their operations.

2.3.2.1 External Auditor

Auditing helps to improve how credible and reliable the financial statements are to the financiers of the organization (Knechel *et al.*, 2008). The role of auditors largely deals with offering assurance services and not necessarily the detection of fraud and errors as purported by many; that role rests with the management of the firm. The main objective of an audit is to enable auditors express an independent opinion on whether the financial statements are prepared in all material respect to give a true and fair view in accordance with identified financial reporting framework.

Most regulatory framework provides that before the commencement of business, the company should have auditors. The external auditor is expected to be independent of the client company, so that the audit opinion will not be influenced by the relationship between the auditor and the company. The auditors are expected to give an unbiased and honest professional opinion to the shareholders about the financial statements. In corroborating to the reliability of accounting information that management provides, independent audits play an external monitoring role on behalf of the providers of finance and are an indispensable aspect of the corporate governance mosaic (Abdel-Khalik, 2002; Ashbaugh & Warfield, 2003). In recent years, the audit function has evolved to play a more active role in corporate governance (Lin & Lui, 2009). It has therefore been argued that unless suitable corporate governance measures are in place, the external auditor can be exposed to conflict of interest, where they want to maintain good relationship with management of the firm but simultaneously work as an independent body or person (Coyle, 2005).

2.4 FUNDRAISING OF NGOs

NGOs raise funds through two principal means (Hansmann 1980). Firstly, from commercial avenues that essentially aid them to sustain their activities and secondly, from donations and grants that they receive (Frumkin & Kim, 2001). Though, there has been a bit of donor fatigue following the economic crisis, fundraising still remains significant in the NGO sector to fund the activities that form part of the mission of a nonprofit organization (Frumkin & Kim, 2001; Marudas & Jacobs, 2011). Okten and Weibrod (2002) argue that fundraising may have two contradicting effects on donations. Fundraising helps to provide better information to donors and or potential donors. However, it diverts the funds of the NGO away from the charitable activity and thereby increases the price of giving. Previously, NGOs raised funds in their country of

origin; however, in recent times they tend to rely on foreign affiliates for their funds (Aldershev & Viridier, 2009). This has been explained by NGO practitioners to be due to domestic competition for donations. Aldershev and Viridier (2009) highlight three key characteristics of the donations market. The first characteristic is that NGOs are differentiated; that is, NGOs are driven by the mission for which they were set up and those goals distinguish them from one another. These missions range from education, poverty reduction, healthcare, raising awareness, water and sanitation and many others. Donors hence give based on these missions and how they are of interest to them. The second characteristic these authors allude to is that donors give in reaction to fundraising campaigns. Anderoni and Payne (2003) posit that there exists an iron law of fundraising- donors seem to have innate urge to donate, but until they are requested to give these demands go unexpressed. Hence through these campaigns, various NGOs are able to stimulate people to give and even commit their funds to their mission or goal of existence. The final characteristic that Aldershev and Viridier (2009) identified was that NGOs compete with each other for donations. They assert that if an additional NGO enters the market, existing NGOs increase their fundraising efforts because of the assumption that the amount of overall donations is fixed.

NGOs rely on money from a variety of sources, including individual donors, foundations, corporations, and governments. In a study by Ostrower and Stone (2009), they outlined that several NGOs receive majority of their funds from government grants, donations from foundations, individuals and endowment funds. Often, what an NGO can and cannot do is tied to the source of the fund and that dramatically affect the effectiveness and neutrality of NGOs. While some NGOs do not accept government or corporate funding so as to stay independent in their decision making, many NGOs depend on these funding sources in order to operate. Various

studies point out that NGOs, who have high access to official grants, spend less on fundraising to attract private donors (McCleary & Barro, 2008). However this type of funding is linked to high administrative cost, as applying for such funds involve a lot of administrative work. Again, cost of administration and management tend to be relatively low for NGOs subject to very fierce competition (Nunnenkamp & Öhler, 2012).

2.4.1 Resource Dependency Perspectives on Linking the Governance Frameworks of NGOs to Fundraising.

NGO boards respond to pressures that emanate from the resource or funding environment and regulatory environment. According to Miller-Millesen (2003), this theory highlights that NGO boards are useful to help organizations learn about, respond to and eventually adapt to constraints that dominate in the operating environment. The focus of this theory is on the relationships between the organization and its environment. In the profit making sector, the goal of this theory is to improve the coordination among firms, facilitate firm's access to cash, especially in financial institutions and enhance reputation through networking. However for NGO boards, the goal is to tap into the requisite knowledge base of these members to enhance their governance process, increase the flow of the critical resources and serve as ambassadors for the NGOs.

Various studies conducted using RD theory to examine boards in NGOs focused on board size and composition as indicators of the ability of the board to provide critical resources to the firm.

2.5 OPERATIONAL EFFICIENCY IN NGOs

The degree to which an organization is fulfilling its purpose can be hard to measure. However, when supported by the appropriate performance indicators, the assessment becomes possible. Irrespective of whether the organization is profit making or nonprofit making, the degree to

which available resources are being used to achieve the mission and goal of the organization is important to know. In the light of this, there is the need to know the performance indicators to adopt that are apt for the conditions of the organization. The pressures within the NGO sector, due to financial constraints and competition for funding have led to an increased stress on performance measurement to aid in establishing quality performance in order to access similar financial resources like that of their public and private counterparts (Lee & Nowell, 2014).

NGOs do not have the criterion of profit as an overall index of performance. However, efficiency and effectiveness measures are identified and taken to be indicators (or proxy indicators) of performance in various NGOs. Efficiency was taken to be the ratio of outputs to inputs (Tinkleman, 1999). Efficiency measures help to give a sense of how an organization is performing and provide a benchmark relative to its counterparts. Mano (2010) suggests that efficient economic measures are vital, considering the institutional nature of non-profit organization. Efficiency can be defined as the point to which nonprofit organizations channel their existing resources to the mission of the organization (Parsons, 2003). In effect, these efficiency measures specify the ratio of resources of the organization that reaches the beneficiaries of the mission of these NGOs. According to Trussel and Parsons (2008), there are a number of proxies in nonprofit literature that have been used to measure efficiency. And these nonprofit organizations tend to use financial performance indicators such as efficiency measures like administrative efficiency, program efficiency, fundraising efficiency and general financial performance.

For example, in the study of Callen *et al.* (2003), efficiency was proxied using administrative efficiency (proportion of administrative expenses to total expenses), fundraising efficiency (proportion of fundraising expenses to total expenses), and program efficiency (proportion of

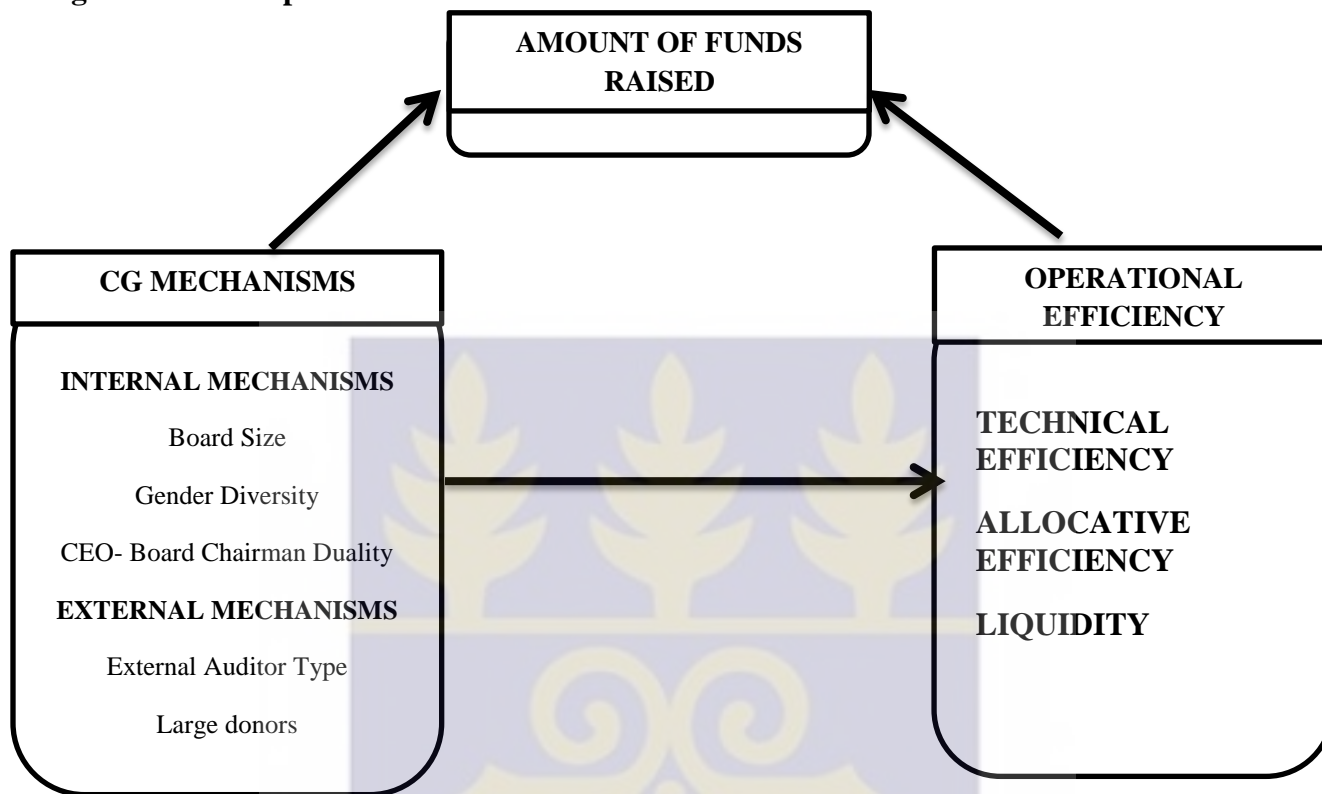
program expenses to total expenses). On the other hand, the study of Reddy *et al.* (2013) and De Andrés-Alonso *et al.* (2006), efficiency was proxied by technical efficiency and allocative efficiency (proportion of service provision to total donated revenue). However while Reddy *et al.* (2013) measured technical efficiency as the proportion of total operating expenses to total donated revenue, de Andrés-Alonso *et al.* (2006) measured technical efficiency as the share of administrative costs in total costs.

Furthermore, studies by Baber *et al.*, (2001) and Roberts *et al.*, (2006) used the program efficiency as the proxy for efficiency. This ratio has been used in literature to express the fundraising strategy of NGOs and also to judge the efficiency of nonprofit managers who experience fluctuations in available resources (Baber *et al.*, 2001; Roberts *et al.*, 2006). However, program expenses are the costs that are incurred by NGOs in their effort to provide programs and services. Under this measure, an efficient nonprofit organization is considered to be one with a high program to total expense ratio. This metric clearly shows whether the majority of the funds raised are being spent on the primary purpose of existence or on administrative costs. This ratio is important to donors, board members, and managers. An efficient organization minimizes non-program expenses relative to program expenses so that the greater the ratio of total expenses (comprising program and non-program expenses) is to program expenses, the more inefficient is the organization.

Administrative efficiency can possibly be measured as the ratio of administrative expenses to revenue, or the ratio of administrative expenses to total expenses. Fundraising efficiency can also be measured looking at the ratio of fundraising expenses to the amount of funds obtained or the ratio of fundraising expenses to total expenses.

2.6 CONCEPTUAL FRAMEWORK

Figure 2.2 Conceptual Framework



Source: Author's own construct

The CG mechanisms entail the internal mechanisms and external mechanisms. Whiles, the internal control governance structures and processes are within the control of the board of directors, the external control mechanisms are beyond the control of the shareholders and board and either be seen as a complement or substitute to the internal control mechanisms (Brown *et al.*, 2011). Drawing from the resource dependency theory, which influences the role that board of directors play in using their personal and professional networks to aid firms to gain resources (Miller- Millesen, 2003), there exist a possible relationship between the internal CG mechanisms (Board size, Gender diversity and CEO- Board Chairman Duality) and the amount of funds that NGOs are able to raise. Several studies have found relationships between some of these internal

CG mechanisms and the amount of funds raised (Evans & Nanda, 2012; Ostrower & Stone, 2009; Hillman & Dalziel, 2003) in various jurisdictions. Thus, the Internal CG mechanisms (Board Size, Gender diversity and CEO-Board Chairman Duality) as shown on Figure 2.1 have a possible relationship with the amount of funds raised.

Though a number of individual donors make donations based on altruistic reasons, and institutional donors also donate to NGOs to fulfill their corporate social responsibility to the community, they still expect that the donations raised would be used to fulfill the mission of the NGO. According to Yan and Sloan (2014) donors, whether individuals or institutions consider the financial performance of NGOs when it comes to how much to donate to them. Trussel and Parsons (2007) also posited that the amount of funds raised is a function of the operational efficiency. Several studies have found varied results on the relationship between operational efficiency (as proxied by technical efficiency and allocative efficiency) and the amount of funds raised by NGOs (van der Heijden, 2013; Tinkleman & Mankaney, 2007; Frumkin & Kim, 2001; Callen, 1994). Therefore, there seems to be a relationship between these variables in NGOs who operate in this jurisdiction, as illustrated by Figure 2.1 above.

As illustrated by Figure 2.1 above, there exist a possible relationship between CG mechanisms (both internal and external mechanisms) and NGOs operational efficiency (Reddy *et al.*, 2013; Lin & Lui, 2009; Li & Harrison, 2007; Callen *et al.*, 2003; Kaplan & Mintoh, 1994). These CG mechanisms are put in place to ensure that resources entrusted to the management of the various NGOs are properly monitored. These mechanisms exist to play a monitoring role to ensure that the operations of NGOs are efficiently managed (Reddy *et al.*, 2013).

2.7 BOARD CHARACTERISTICS AND FUNDRAISING IN NGOs

Ostrower and Stone (2009) posit that the funding environment is associated with the characteristics of the board. In their findings, it became clear that one-third of board members take active part in the fundraising activities of NGOs. Various studies on board composition involve board size, board diversity (age, gender, and occupation), and board independence. Nonetheless, for this study, the board characteristics studied are board size, board diversity (gender diversity of the board) and board independence (CEO- Board Chairman Duality).

On board size, Hillman and Dalziel, (2003) argue that there is a positive association between a larger board size and the amount of resources that an organization is able to raise. Aggarwal, Evans and Nanda (2012) also report a positive association between board size and donations for a large cross-section of organizations from 1998 to 2003. However, they attribute this result to larger boards achieving better board fundraising rather than better board oversight. Also, in a study done by Ostrower and Stone (2009), it was reported in their findings that board size was positively related to fundraising. They further posit that their work gives further support to the argument that larger boards are used as fundraising tools. Olson (2000) examines the relationship between board characteristics and donations for 43 independent colleges from 1991 to 1995. He reports a positive association between donations and board size. Therefore it is hypothesized that;

H₁: NGO board size has an impact on the amount of funds raised.

The issue of diversity on the board is emphasized because it ensures that no one individual or group dominate the decision making process of the board (Hampel Committee, 1998). Several studies tend to focus on diversity from a gender perspective, which has been the result of much emphasis of having more women on the board (Reddy *et al.*, 2013). Keasey *et al.* (1997)

reported that there is a link between board diversity and securing additional resources for the organization. In a study by Ostrower and Stone (2009), their findings revealed that there is a positive association between the female board members and fundraising. Nonetheless, Siciliano (1996) on the contrary also reported a negative relationship between board diversity and the amount of funds raised. It is therefore hypothesized that;

H₂: NGO gender diversity has an impact on the amount of funds raised.

Again, having CEOs as voting members undermines their governance roles (Ostrower, 2007). In the study of Ostrower and Stone (2009), one of their findings revealed that having a CEO as a voting member is negatively associated with fundraising. However, CEO duality has not been explicitly examined in the literature on nonprofit governance (Miller- Millesen, 2003). Therefore, from the discussions above, it can be hypothesized that:

H₃: CEO- Board Chairman Duality has an impact on the amount of funds raised.

2.8 OPERATIONAL EFFICIENCY AND FUNDRAISING IN NGOS

Financial performance of NGOs is one of the considerations that donors make when it comes to how much to give to nonprofit organizations (Yan & Sloan, 2014). Trussel and Parsons (2007) assert that donations are a function of efficiency. The perception of the public on the suitable efficiency levels are of great concern to NGOs and have an effect on the amounts of funds they are able to raise (Van der Heijden, 2013). Callen (1994) found that the more technically efficient the NGO is, the more money donations it is able to raise. Also, Tinkelman and Mankaney (2007) reveal evidence that show donors reducing their contributions to NGOs reporting higher administrative expense ratios, when the ratios are presumably most relevant and reliable. However, the results of Frumkin and Kim (2001) indicate that reporting low administrative

efficiency (proxied by administrative expenses to total expense ratios) and positioning an organization as efficient does not lead to better attainment in generating funds. Also, Harris *et al.*, 2014 in their findings indicated that moving from the 25th to the 75th percentile of the program expense ratio, a measure of efficiency, results in 1.56 percent more donations. Frumkin and Kim (2001) in their study find that technical efficiency has no significant relationship with contributions. It is therefore hypothesized that;

H₄: Operational efficiency of NGOs is associated with the amount of funds raised.

2.9 CORPORATE GOVERNANCE AND OPERATIONAL EFFICIENCY

Extant research and practice of nonprofit governance is based on the premise that well-performing boards coincide with well-performing organizations. Various studies have examined the relationship between board composition and organizational performance (Li & Harrison, 2007; Klein, 1998). However, findings of several of these studies remain varied and inconclusive. While some writers assert that there is a positive relationship between board composition and performance (Kang *et al.*, 2007; Sheridan & Milgate 2005; Callen *et al.*, 2003; Nicholson, 2003), others also report that there exist a negative relationship between board composition and performance (Garg, 2007; Rose 2007; Wan & Ong, 2005).

2.9.1 Board Size and Operational Efficiency

Board size represents an important determinant of performance. Empirical studies on board size reveal a link with performance (Anderson *et al.*, 2004; Garg, 2007; Dahya *et al.*, 2008). Some of these studies reveal that there is an ideal size beyond which performance decreases (Lipton & Lorrach, 1992). Several researchers on corporate governance have found mixed results between board size and firm performance. According to Golden and Zajac (2001), the relationship

between board size and corporate governance is quite complex and that this relationship would be positive when the board size is appropriate, otherwise then it would be a negative relationship. However, Yermack (1996) and Conyon and Peck (1998) identified a negative relationship between these variables. Yermack (1996) argues that large boards may be less interconnected and more difficult to coordinate, and easier to control by the CEO; thus, larger boards would harm performance. Others also find no association between board size and performance (Aggarwal *et al.*, 2008).

Specifically on efficiency as a measure of performance, Yeh, Wang and Chai (2010) in their study found that board size has no significant effect on operational efficiency in securities companies in Taiwan. A study by Huang, Lai, McNamara and Wang (2011) also examining the relation between corporate governance and the efficiency of the U.S. property–liability insurance industry during the period from 2000 to 2007, found a significant relation between efficiency and board size. Olson (2000) specifically supports the assertion that board size may be associated with more efficiency. Callen *et al.*, 2003 assert that NGO board size does not significantly affect the overall non-program expense efficiency. In a study of NGOs in Spain, de Andres-Alonso *et al.* (2006) draw a relationship between board size and efficiency, and find that there was no relationship between technical efficiency and board size. Small sizes of boards had a positive effect on allocative efficiency.

Also a study by Reddy *et al.* (2013) on NGOs specifies that boards which are large tend to increase the monitoring cost leading to reduced efficiency. It is therefore hypothesized that;

H₅: NGO board size is associated with operational efficiency.

2.9.2 Gender Diversity and Operational Efficiency

Prior literature suggests that diversity of group membership increases discussion, the exchange of ideas and group performance (van Knippenberg *et al.*, 2004). Gender is perhaps one of the contested diversity issues, not only in terms of board diversity, but also in politics and in other general societal situations (Kang, Cheng & Gray, 2007). Gender plays a role in the selection of board of directors. There have been various calls and increased stress on the need for gender diversity in the board room. Campbell and Miguez-Vera (2008) reported that the gender composition of the board can affect the quality of the monitoring role that is played by the board. Women on boards have been found to bring a different perspective to decision making that may enhance performance, as they tend to be independent and have better understanding of the needs of customers (Brennan & McCafferty, 1997).

Further, a study by the University of Michigan Business School that studied stock value and earnings growth following initial public offerings (IPO) in the USA found that IPO were significantly more successful when the companies involved had senior female executives (Kang *et al.*, 2007). Hence, having women in top management can result in higher earnings and greater shareholder wealth (Ripley, 2003). Better corporate governance can also be achieved by having women on the BOD, and subsequently, this may translate to competitive advantage (Bernardi *et al.*, 2002). Several studies have found that there is a direct relationship between the ratio of women directors on a board and firm financial performance (Adams & Ferreira, 2004; Carter, Simkins & Simpson, 2003). They further document a positive relationship between gender diversity of the board and corporate performance, as proxied by Tobin's Q.

Nonetheless, other studies provide mixed evidence as a direct relationship between different aspects of board composition and performance is difficult to establish (Dalton, Daily, Ellstrand

& Johnson, 1998). In this vein, Adams and Ferreira (2009) report that the relationship between gender diversity and firm performance seems to be more complex than what previous findings have asserted to. They find that diversity has a positive effect on performance in firms that otherwise have weak governance, as measured by their abilities to resist takeovers. In firms with strong governance, however, enforcing gender quotas in the boardroom could ultimately decrease shareholder value. They further attribute this result to the over monitoring of those firms.

In the NGO setting, Siciliano (1996) investigated board diversity of 240 YMCA organizations and reported gender diversity had a positive impact on social performance. Reddy *et al.* (2013) also reveal that gender diversity improves technical efficiency in NGOs, and that an inclusion of female director by one leads to an increase in technical efficiency by 28.5 percent. This they attribute to the monitoring role played by female directors.

Hence, it is hypothesized that;

H₆: There is a relationship between gender diversity of NGO boards and their operational efficiency.

2.9.3 CEO - Duality and Operational Efficiency

Research on the performance consequences of CEO duality has been dependent on mainly the agency theory and stewardship theory (Krause, Semadeni & Cannella, 2014). Scholarly works based on the agency theory have consistently argued that CEO duality negatively affects firm performance (Jensen, 1993). Conversely, scholars incorporating organization theory-based paradigms, such as stewardship theory (Donaldson & Davis, 1991) and resource dependence theory (Boyd, 1995), have argued that duality promotes unity of leadership, facilitating

organizational effectiveness. Since that time, conceptions of scholars on the CEO- Duality have become more complex.

While some studies reveal a negative effect of CEO- Duality on performance (Rechner & Dalton, 1989; 1991), others also show a positive effect of CEO-Duality on performance (Donaldson & Davis, 1991; Boyd, 1995). Nevertheless, Dalton *et al.* (1998) in their meta-analysis of thirty- one (31) studies report no empirical link between CEO duality and firm performance. Also, Krause and Semadeni (2013) show mixed results in the effect of CEO-Duality on performance; whereas CEO-Duality had a positive effect following weak performance, they report a negative effect following strong performance. Drawing from the mixed relationships from various studies it is therefore hypothesized that;

H₇: CEO- Duality in NGOs affects operational efficiency.

2.9.4 Large Donors and Operational Efficiency

Studies considering the impact of the large donors on performance have also been varied over time. A study conducted by Gorton and Schmid (1996) find that major shareholders could improve performance. Nevertheless, other studies reveal that the large shareholders have no significant impact on the company performance (Agrawal & Knoeber, 1996; McConnell & Servaes, 1990). Harris *et al.* (2014) investigated the effect of governance on direct donor giving, by considering differences in donor capability and motivations to process governance information. They report that donors who provide large amounts of funding are more likely to consider governance than donors who give small amounts. Parsons (2003) also proposes that the efficiency of operations is one of the major factors of the organization used by donors faced with a given decision. Empirical evidence suggests that institutional donors and wealthy individuals endeavor to advance the corporate governance of recipient NGOs (Harris *et al.*, 2014). Kaplan

and Mintoh (1994) show that firms with larger shareholders in a profit making setting are more likely to take an action against poor performance than those without them.

Furthermore, many of these large donors have strong power and influence over these NGOs to assess performance and certify that resources are employed efficiently (de Andres-Alonso *et al.*, 2006; O'Regan & Oster, 2002). Most of these large donors request comprehensive information regarding the project that their donations are channeled into (Frumkin & Kim, 2001). In effect, Harris *et al.* (2014) posit that information on organizations' governance structures can assist donors in assessing the likelihood that their donations will be used in an appropriate and efficient manner. Hence, major donors are vital to monitoring the efficiency of NGOs (Fama & Jensen, 1983). Also, Yeh *et al.* (2010) also report that major shareholders' shareholding ratio shows significant positive effects on technical efficiency. Callen *et al.* (2003), in their findings reveal a significant statistical association between the presence of major donors and the indicators of efficiency in NGOs. An increase in the proportion of major donors on the board lowers the proportion of administrative expenses to total expenses and increases the proportion of program expenses to total expenses. However, another finding by Williamson (1983) predicted that there was no relationship between the presence of major donors on the board and organizational efficiency. As a result the following is hypothesized;

H₃: The presence of larger donors in NGOs is associated with operational efficiency.

2.9.5 External Auditors and Operational efficiency

Independent audits enhance the credibility and reliability of financial statements, thus contributing to effective corporate governance (DeFond *et al.*, 2000). From an agency perspective, we expect a positive (negative) relation between firm performance and auditor independence (dependence). External audits play a corporate governance role as an essential

monitoring tool in financial reporting process hence independent audits form a vital part of corporate governance (Allen *et al.*, 2005; DeFond *et al.*, 2000). Wallace (1987) posits that auditing helps to improve the operational efficiency of a firm. Hence once the NGO is audited by an independent third party it may be expected to have an association with how efficient they operate.

Consequently, the choice of auditor in any given setting may be due to more complex factors than simply the reduction of external agency costs. DeAngelo (1981) argued that the BIG audit firms provide better quality audits because they have more reputational and legal risk than the non-BIG audit firms. According to Lin and Lui (2009), firms who usually engage these high-quality auditors, do so to signal effective audit monitoring and good corporate governance, and those who go in for low-quality auditors with less effective audit monitoring do so to aid them reap private benefits derived from weak corporate governance and less-transparent disclosure. Prior studies document that firms are inclined to choose a high-quality auditor to improve their corporate governance (Fan & Wong, 2005; Hay & Davis, 2004). Therefore, since a good corporate governance system is more likely to lead to improved performance, it can be inferred that the type of external auditor can lead to improved performance.

Therefore it can be hypothesized that,

H₉: The type of external auditor (BIG 4 or non-BIG 4) engaged by an NGO is associated with operational efficiency.

2.10 REVIEW OF NGOs

Non-Governmental Organization is a generic term used to refer to an organization that is established for charitable activities and other non-profit purposes. Though, NGOs may receive government funding as well as donations from private sources, they do not operate as an

instrument of government policy (Ernst & Young, 2010). The term, "non-governmental organization", came into existence in 1945 because of the requirement for the UN to distinguish in its Charter between participation rights for intergovernmental specialized agencies and those for international private organizations (Willetts,2002).

According to Willetts (2002), there is no generally accepted definition of an NGO and this word carries dissimilar connotations in different circumstances. The Attorney General's Department in Ghana defines an NGO as "any organization or body of persons, whether incorporated or unincorporated, which is non-political, non-partisan, non-profit making and which aims at improving the quality of life of the inhabitants of the country." Willetts (2006), argues that the definition of NGOs can be interpreted differently by various organizations and depending on the situation's context.

Most NGOs exhibit these similar features:

- ❖ They are service organizations founded by persons with similar aspirations and motivations
- ❖ They may be registered with the state
- ❖ They determine their own goals, structures and rules within the national and international framework
- ❖ They are by and large financially self-supporting and normally have no state interference, provided they do not infringe on state laws

Generally, NGOs are organized in a variety of ways (Willetts, 2002). This includes local, provincial, national, regional global body NGOs. The Grass-roots and community organizations clearly refer solely to the local level NGOs. National NGOs based in a single country with local

groups in the regions, with a headquarters usually in the capital city of the country. Normally, these national NGOs combine as an international NGO and are headed by a global body.

2.11 AN OVERVIEW OF THE GHANAIAN NGO ENVIRONMENT

The nonprofit sector in Ghana reflects African and Western cultures. Many traditional forms of NGOs and voluntary associations have existed prior to the colonial period. During the colonial period, there was expansion in the urban economy and the informal sector. The origin of NGOs dates far back into time. As a result of mutual assistance, the traditional Ghanaian ideal of self-help under the “nnoboa” system led to the formation of church NGOs by the missionaries. The emergence and growth of NGOs in Ghana was very slow at the beginning and by 1930, only three had been officially registered. Post-independence, NGOs, especially church related ones, and governments have partnered to provide emergency reliefs, education and health. The number of NGOs increased steadily in the 1960s and 1970s and by December 1996, more than 320 NGOs, both foreign and local were operating in Ghana. Although domestic NGOs are subject to the laws of their respective countries, NGOs are not subject to international laws. In Ghana NGOs are regulated by the NGO Policy Guidelines, 2007.

According to this framework, an NGO is an independent, non-profit making, non-political and charitable organization, with the primary objective of enhancing the social, cultural and economic well-being of communities. In line with Government’s policy objectives, the Registrar-General’s Department is responsible for registering organizations as well as monitoring the relationships between the Government, the organizations and the beneficiary communities, bearing in mind the national priorities. Upon registration, a certificate is issued and the NGO is required to make yearly renewal of the registration in accordance with the established

procedures. Also, any project formulated by an NGO which is duly registered with the Registrar-General's Department must be approved by the relevant Ministry and registered with the Ministry of Manpower, Development and Implementation before implementation. According to the Office of Non-Governmental Organizations and National volunteers under the Department of Social Welfare, there are about 6400 NGOs in Ghana. Yet, those who are active, defined in terms of those who have renewed their license since 2010 are about 2400 widely spread in all ten regions of Ghana.

Pugliese *et al.*, (2014) assert that factors that have influenced the size and role of the nonprofit sector in Ghana include: increased international assistance in the wake of the economic adjustment program; Government policies that sought to encourage rural development and aid for the poor, many of which have been channeled through NGOs. In summary, the development of the nonprofit sector is shaped by political, religious and cultural factors.

Non-Governmental organizations are considered as an important aspect of the “development machine,” of Ghana, which contributes over 5 percent to GDP (Ghana Statistical Services, 2012). The number of NGOs operating in the NGO sector has been on the rise, with numbers being predicted to have surged as high as 5000 in 2008 (Baba, 2015), however, a study by the Danish Government in 2009 reveals that mapping of the civil society in Ghana found that there are about 3,600 NGOs registered with the Department of Social Welfare as at 2009. It was however reported in that study that the number of organizations is reported to be higher, but some do not register themselves with the Government, with majority of these NGOs in the rural areas.

Thus, competition among NGOs in Ghana for membership as well as for funding from government and philanthropic donors has intensified, with some of these NGOs forming

alliances with similar organizations abroad – mainly from developed countries in order to benefit from transfer of logistics, funds, and expertise (Baba, 2015). But unlike the western countries where emphasis is placed on being professional in coping properly with market mechanisms (Randle & Dolnicar, 2009; Hackler & Saxton, 2007; Burt & Taylor, 2003), the NGO sector in Ghana is plagued with lack of sound corporate governance systems (Simpson, 2008).

Also, according to Gugerty (2010) the non-governmental sector in Ghana have witnessed some scandals that have cast doubts about the integrity of legitimate organizations, thus provoking proposals for government to develop NGO regulatory frameworks and for NGO associations in Ghana to build standard setting and accreditation systems. Considering, these factors, Ghana's NGO sector is a useful setting in which the current corporate governance practices are assessed, as well as their fundraising activities and their operational efficiency.

2.12 CHAPTER SUMMARY

This chapter assessed literature on CG practices, operational efficiency and amount of funds raised by NGOs. A review of the concept of NGOs was also explored. The associations that various literature have found between, CG practices and the amount of funds raised; operational efficiency and the amount of funds raised; and CG practices and operational efficiency were also reviewed.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter outlines an extensive analysis of the processes engaged in order to attain the research objectives that this study seeks to address. This chapter discusses the research philosophy, explains the research strategy and design adopted, highlights the data collection methods and mode of data analysis to be employed by this study to answer the research questions posed.

3.2 RESEARCH PHILOSOPHY

A research methodology, which is the “how of the research”, necessitates or calls for a philosophical solution, which is the “why of the research” (Saunders, Lewis & Thornhill, 2007). Burrell and Morgan (1979), suggest that for a researcher to develop philosophical perspective, assumptions on the nature of society (that is whether, society evolves rationally or is viewed from a radical change perspective) are to be made.

Research philosophy is concerned with the methods of advancement and nature of knowledge (Saunders *et al.*, 2007). Hence, the research philosophy adopted is embedded with certain key assumptions about the person’s view of the world. This therefore sets the basis of the research design and strategy that is adopted. Three major ways of thinking about a researcher’s research philosophy are epistemology, ontology and axiology (Saunders *et al.*, 2007) In summary, whatever the sociological position of the researcher is, it has a ripple outcome on their ontology (that is the view of reality), consequently affecting their epistemology (that is how it is possible to gain knowledge), which in turn affects their view of the nature of humans (view of man as the

controlled or the controller) and finally the choice of methodology (means of investigating the phenomena) for the study (Saunders *et al.*, 2007).

3.3 ONTOLOGY AND EPISTEMOLOGY

Ontology relates to nature of reality or how that research views reality (Burrell & Morgan, 1979). This deals with the way the researcher views how society operates. In management research, the ontological view of a researcher can be categorized into two, namely; objectivism and subjectivism (Saunders *et al.*, 2007).

Objectivism looks at reality to be outside the social actors that are linked to its existence. This approach is developed from natural sciences, where the methods of the natural sciences are adopted by the social sciences in their research. Hence, once the researcher adopts the objectivism view, what constitutes acceptable knowledge in that field of study (epistemology) would most likely be the positivism stance. According to Remenyi, Williams and Swartz (1998), a positivist works with an observable social reality, whose results eventually can lead to generalized findings. To generate the research design, hypothesis is generated, underlined with existing theories. Also, the positivist undertakes the research in a value-free way. This suggests that the researcher is independent from the subject being researched, and therefore is neither affected nor has an effect on the subject of research.

Subjectivism refers to the view that social phenomena are created from consequent actions and perceptions of social actors, which is continuously evolving and under review (Saunders *et al.*, 2007). In effect, they believe that reality is socially constructed. Once a researcher adopts this view, it is most probable that the epistemology of the researcher would be that issues are far too complex to use definite laws and generalizations to theorize, like the natural sciences.

However, considering this study the objectivist approach would be adopted and the positivism paradigm would be followed to achieve the research objectives of this study. The justifications for the choice of these approaches are because this study largely seeks to identify causal relationships that explain the social behavior of NGOs in Ghana.

3.4 RESEARCH DESIGN AND STRATEGY

There are two main approaches to research: namely the inductive approach and the deductive approach (Saunders *et al.*, 2007). The deductive approach refers to the development of a hypothesis on the basis of a theory, and a research strategy is employing a research strategy to test the hypothesis, with possible modification of the theory where necessary, based on the findings (Robson, 2002). The inductive approach involves the collection of data and development of a theory as a result of (or based on) the data analysis (Saunders *et al.*, 2007). This study adopts the deductive approach, since it aims at explaining the causal relationships between variables, and to do this it would employ a highly structured approach with the independence of the researcher assured. Also, with this approach, one is able to sufficiently generalize the conclusions drawn at the end of the study. This approach is also used to be able to test the hypotheses drawn, based on the underlying theories adopted by this study. Finally, the use of this approach is informed by its prevalent use in the testing of relationships between CG and firm performance.

This study also employs the quantitative research design over the qualitative design, since the positivist stance is the basis for this study. Quantitative research deals with explaining an action or occurrences by collecting numeric data that are examined using mathematically and statistically based methods. Quantitative research design is a way of confirming results and proving or disproving the various hypotheses developed in a study. After careful statistical

analysis of the results, a comprehensive answer is reached, and the results can be reasonably deliberated and circulated. These results can be seen as factual and fair. From the explanation, it is clear that since this study seeks to disprove or prove a hypothesis, this approach would be most appropriate as compared to the qualitative design approach which is of the view that issues are too complex to be answered by the proving or disproving of a hypothesis.

3.5 RESEARCH POPULATION

Population is defined “as the totality of all subjects that conform to a set of specifications, comprising the entire group of persons that is of interest to the researcher and to whom the research results can be generalized” (Polit & Hungler, 1999; pg.43). In simple terms, population refers to the complete set of cases or group members that forms the context that a researcher intends to study. For the purposes of this study, NGOs in Ghana constitute the population.

3.6 RESEARCH SAMPLE

Mugo (2002) defines sampling as the act, procedure, or technique of choosing an appropriate sample, or a representative part of a population for the purpose of determining parameters or features of the entire populace. Sampling helps to attain a representative representation of the population, without reviewing the whole population. In an attempt to collect data to help accomplish the research objectives and answer the research questions, it is unrealistic to reach out to the whole population for data collection due to time, money and access restraints (Saunders *et al.*, 2007).

Considering the inability to use the entire population of NGOs in this study, it is imperative that a sample of NGOs was selected. From 2010, the stress on NGOs filing their audited financial statement for yearly renewals was highly enforced. Hence any NGO who has filed at least one audited statement for renewal of license within 2009- 2013 whose audited statement is available

at the NGO Office at the Department of Social Welfare is used. NGOs that did not provide all the information were excluded and the final sample includes 146 NGO-year data. The availability of an NGO's report at the department could mean that the NGO is active and complies with the regulation. Thus, providing useful information for the assessment of their governance frameworks.

, The NGO sector characterizes a venerable sector in many national economies, especially in developing economies such as Ghana, where they have experienced exponential growth in scope and size, and make giant strides in positively impacting the societies in many facet of life such as Education, Health, Women, Youth and Children development and so on.

This study therefore focuses mainly on NGOs because in the accounting and management research literatures, they have arguably been subject to a variety of misconceptions ranging from mistaken role definitions, to incorrectly assumed best practices, to inappropriate strategies and management tools imported from the private sector, to neglect of their unique characteristics and associated needs. These challenges are brought into sharp relief when the questions of nonprofit organization accountability, governance and performance management are put under the spotlight. This study therefore sought to examine the accountability, governance and performance management processes within nonprofit organizations, in context such as Ghana where these NGOs have been described by Simpson (2008) as having a weak regulatory framework. In doing so it presents a general overview of the nonprofit sector's societal positioning and role and goes on to consider the impact of these governance frameworks on its fundraising and efficiency.

The breakdown of the number of observations for each year is summarized below:

YEAR	NUMBER OF OBSERVATIONS
2009	19
2010	27
2011	12
2012	43
2013	45
TOTAL	146

3.7 DATA COLLECTION INSTRUMENTS

The study largely adopted the explanatory research approach which helps to “examine and explain the relationships between variables in a particular cause-and-effect relationship” (Saunders *et al.*, 2007; pg.356). The primary data source was the NGOs annual reports. This source is archival in nature and involves using previously compiled information to answer research questions (Cozby 2003). It entails reviewing, understanding, and explaining past events. Annual reports are perceived as the most vital avenue that various organizations divulge their corporate information.

3.7.1 Time Period

The period for collecting data for the study was financial years 2009 to 2013. These years were selected due to the fact that at the time of collecting the data, the recent financial year was for the 2013 financial year. Since 2010, there has been major emphasis on the filing of annual reports before the renewal of license; hence this affords the chance to investigate from that period till 2013 how the NGO sector has been doing. The 2009 financial year was included to know if there were any contrary occurrences prior to 2010.

This study sought to assess the period 2009- 2013 due to two reasons. Firstly, the study of Simpson (2008) which seems to be one of the very few studies that have looked at the

governance frameworks of NGOs operating in Ghana assessed the framework till 2008. Hence this study sought to go beyond 2008, and review if there have been any changes in the governance framework especially in a period where there seemed to have been a bit of improvement on NGO regulation, and it became mandatory requirement to file their annual reports with the NGO office of the Department of Social Welfare before renewal of yearly licence is issued. Secondly, even though the 2014 financial year has ended, the needed financial information from these NGOs for 2014 are not readily available, making it virtually impossible to include 2014 in this study. Besides, it was easier to obtain financial information from such organisations within this period from the Department of Social Welfare due to the new requirement for renewal of annual licence. Therefore, the sample selected to this study was based on NGOs that had filed at least one audited statement for renewal of license within 2009- 2013 and that report is available at the NGO Office at the Department of Social Welfare.

3.8 VARIABLE MEASUREMENT

3.8.1 Dependent Variables

3.8.1.1 Operational Efficiency

Donors have raised their apprehensions of cost inefficiencies in NGOs and have resulted in them becoming increasingly mindful and ensuring that NGOs use the donations received to address the purpose for which they are established (Bradley *et al.*, 2003). Hence, this study tends to view the performance of NGOs from the perspective of the donor and hence uses proxies that show whether resource utilization is done in an efficient manner. Therefore, this study measures NGOs efficiency using commonly applied proxies relating to financial efficiency, that is technical

efficiency and allocative efficiency. These proxies have also been applied in studies done by de Andre's-Alonso *et al.* (2006) and Reddy *et al.* (2013).

3.8.1.1.1 Allocative Efficiency

This measure is also known as Program efficiency. Baber *et al.* (2001) and Roberts *et al.* (2006) use the term program efficiency in their research. This ratio is defined by some studies as the percentage of total expenses spent on programs. Baber *et al.* (2001) state that the program ratio can show the fundraising strategy of the NGO. On the other hand, Roberts *et al.* (2006) use the program ratio to judge the efficiency of nonprofit managers who experience changes in available resources. In this study, this variable is intended to control for the efficiency with which an NGO supports its mission.

However, de Andre's-Alonso *et al.* (2006) and Reddy *et al.* (2013) measured allocative efficiency as the direct project expenses divided by total donated revenue. This study therefore defines allocative efficiency as the ratio of total program expenses to total donated revenue; where a higher value indicates that the NGO is utilizing most of its donated funds in financing programs and projects that are in its core mission of operation. This means that the organization is using donated funds for the purpose for which they were provided for, indicating efficient use of donated funds.

$$\text{AE} = \text{Total program expenses} / \text{Total donated revenue}$$

3.8.1.1.2 Technical Efficiency

This is also referred to as administrative efficiency in literature. The administrative ratio is administrative expense as a percentage of total expenses. De Andre's-Alonso *et al.* (2006) indicated that there seems to be no relationship between the various board characteristics examined and technical efficiency. The findings of Reddy *et al.* (2013) indicate that board

diversity improves technical efficiency in NGOs. An increase in female director by one leads to an increase in technical efficiency by 28.5 percent. This finding is consistent with the findings reported by Huse and Solberg (2006), Carter *et al.* (2003), Jurkus *et al.* (2008), Reddy *et al.* (2008) and Siciliano (1996). However, Greenlee and Brown (1999) use a measure similar to this (excluding fundraising costs from total expenses) to examine the relationship between organizational efficiency and donations. Therefore in this study, technical efficiency (TE) is measured as a ratio of total operating expenses to total expenses where low value is favorable thus indicating that the NGO is operating efficiently:

$$\text{TE} = \text{Total operating expenses} / \text{Total Expenses}$$

3.8.1.1.3 Liquidity

Cash flow management is a vital and challenging aspect of the operations of NGOs, which reflects the organization's ability to survive as well (Reddy *et al.*, 2013). Epstein & McFarlan (2011) suggest that the liquidity position of NGOs is very significant in their management. In view of this, current ratio (CR) is introduced as the proxy for measuring NGO's ability to generate flow of cash on a short notice or request. Liquidity also aids in the assessment of an NGO's policies regarding collection of account receivables, payables and cash management:

$$\text{CR} = \text{Current assets} \div \text{Current liabilities}$$

3.8.2 Independent Variables

3.8.2.1 Amount of Funds Raised (FUND)

This includes donations from individuals, corporations, and foundations, as well as government grants and indirect support from federated campaigns (Harris *et al.*, 2014). Hence in this study, the proxy for donation would be the natural log of donations and grants.

3.8.2.2 Large Donors

Overall, this evidence generally supports our expectation that large donors are more likely to consider governance than small donors and have strong power and influence over these NGOs to evaluate performance and ensure that resources are utilized efficiently (de Andres-Alonso *et al.*, 2006). This study measures this variable as a dummy variable, where “1” if proportion of funding from a particular donor is ≥ 20 percent of the total donated funds. This is adopted from the study of Reddy *et al.* (2013).

3.8.2.3 Board Size

This is the numerical strength of the board as at the reporting date. It is a direct proxy for corporate governance as it is considered one of the representations of the board composition. One concern with board size is that boards may fulfill a governance role and a fundraising role. Both roles can positively affect total donations, while the governance role can affect firm performance. Harris *et al.* (2014) and Aggarwal *et al.* (2012) use board size as an indicator variable to find its relationship with donations in NGOs. Reddy *et al.* (2013) also employ board size as an indicator variable to find its relationship with efficiency of nonprofit organizations. Board size was entered as the number of directors listed in the annual report for 1992 (Muth & Donaldson, 1998). However, Reddy *et al.* (2013) also adopt using the natural log of board size as

a proxy for board size. This study however, uses the number of directors that is listed in the annual report.

3.8.2.4 Gender Diversity

This considers the female representation on the board as at the reporting date. This is usually proxied in various studies as the ratio of women directors on the board as a measure for gender diversity. Nielsen and Huse (2010) use the proportion of women directors expressed as a percentage of total board size as a measure of gender diversity. Also, Reddy *et al.* (2013) proxies gender diversity as the proportion of female members on the board (that is the number of female directors divided by board size). Therefore, the proxy adopted for gender diversity in this study was the number of female directors/ board size.

3.8.2.5 CEO- Board Chairman Duality.

CEO- Board Chairman Duality has mixed results when it comes to how it affects organizational performance. Whereas one perspective asserts that there is a positive relationship between this variable and performance; others also posit a negative relationship. However, it is clear in literature that the theoretical base of the study affects the direction. In this study, this variable is measured as a dummy variable, where “1” if CEO and Board Chairman is the same person, otherwise “0”. Companies were dummy coded `1' if the role of CEO and the role of board chairperson (CEO duality) were held by one person and `0' if the board chairperson and the CEO were separate positions (chair independence) held by two people. Muth and Donaldson (1998) use a similar proxy for this variable in their study.

3.8.2.6 External Auditor

The choice of a firm’s auditor is another governance mechanism that is likely to be associated with good corporate governance, which can lead to efficient operations since the BIG 4 audit

firms are perceived to have high clientele and reputations they would not want to jeopardize. This is proxied as a dummy variable, where “1” if a non-BIG 4 audit firm is the auditor of the NGO and otherwise “0”

2.8.3 Control Variables

3.8.3.1 Age of the Organization

Relatively new organizations require time to establish themselves with donors and achieve name recognition (DiLorenzo & Bennett, 1994). In order to survive in the long term, NGOs need to produce quality output, and succeed in fundraising. The findings related to the AGE coefficient and amount of funds raised are mixed (Parsons & Trussel, 2008; Harris *et al.*, 2014). AGE is included in order to establish if as a measure of reputation for quality, it has a relationship with operational efficiency and the amounts of funds raised in Ghana. AGE is measured as the number of years.

3.8.3.2 Size of the Organization

Organizational growth can only be achieved when an NGO is able to continue to generate revenue over a number of years. Size may represent an NGO's ability to succeed in its mission and attract donations and operate efficiently. Since NGOs are of different sizes in the sample used in this study, to control for the size effect on our results, organizational size is controlled for. Adopting from prior studies, (Harris *et al.*, 2014; Reddy *et al.*, 2013) size is measured as the natural log of total assets.

3.8.3.3 Sector of the NGO

Considering that NGOs are categorized under various sectors, this study intended to find the effects that these sectorial differences have on the amounts of funds raised and how efficient they

are in their operations. From the sample selected it became clear that the core mandates of the NGOs selected fell under the categorizations of Education, Health, Women, Children & Youth, Community and rural development and Others. Therefore to measure these five sector dummy variables as follows: SECT1 is equal to “1” if NGO belongs to education sector, otherwise “0”. SECT2 is equal to “1” if NGO belongs to health sector, otherwise “0”. SECT3 is equal to “1” if NGO belongs to the women, youth and children sector, other “0”. SECT4 is equal to “1” if NGO belongs to the community and rural development sector, otherwise “0”. SECT5 is equal to “1” if NGO belongs to other sectors than ones mentioned above, otherwise “0”.

3.9 MODEL SPECIFICATION

For Objectives one (1) and two (2), the model used to test the relationships is specified below:

$$FUND_{it} = \log(DREV)$$

Where; DREV= Amount of Funds Raised (Grants and Donations).

$$FUND_{it} = \alpha + \beta_1 BS_{it} + \beta_2 GD_{it} + \beta_3 DUAL_{it} + \beta_4 TE_{it} + \beta_5 AE_{it} + \beta_6 AGE_{it} + \beta_7 SECT + \beta_8 SIZE_{it} + \beta_9 EATYPE_{it} + \varepsilon_{it}$$

For Objective three (3) the model below is employed to test the various relationships:

$$\left. \begin{matrix} TE \\ AE \\ QR \end{matrix} \right\} Op.Eff_{it}$$

$$Op.Eff_{it} = \alpha + \beta_1 BS_{it} + \beta_2 GD_{it} + \beta_3 LD_{it} + \beta_4 EAtype_{it} + \beta_5 DUAL_{it} + \beta_6 AGE_{it} + \beta_7 SECT + \beta_8 SIZE_{it} + \varepsilon_{it}$$

Where:

BS= Board size

BD= Gender diversity (Representation of female on the board)

LD= Large Donors (dummy variable, where “1” if proportion of funding from a particular donor is ≥ 20 percent of the total donated funds, otherwise “0”);

EAtype= External Auditor (dummy variable, where “1” if the organization is audited by a non-BIG 4 audit firm, otherwise “0”whether).

DUAL= CEO- Board Chairman Duality (dummy variable, where “1” if CEO and Board Chairman is the same person, otherwise “0”)

TE= Technical Efficiency

AE= Allocative efficiency

CR= Current Ratio

Op.Eff = Operational Efficiency

Table 3 1 OPERATIONAL DEFINITIONS OF VARIABLES

VARIABLES		DEFINITION
Board Size	BS	The number of people on the board of the NGO
Gender diversity	GD	The number of female directors on the board \div board size.
Large Donors	LD	Dummy variable, where “1” if proportion of funding from a particular donor is ≥ 20 percent of the total donated funds or “0” otherwise.
External Auditor type	EAtype	dummy variable, where “1” if external auditor is a non- BIG 4 audit firm, otherwise “0”
CEO- Board chairman duality	DUAL	dummy variable, where “1” if CEO and Board Chairman is the same person, otherwise “0”
Age of the NGO	AGE	Number of years of existence of the NGOs
Size of the NGO	SIZE	Log(total assets of the NGO)
Sector	SECT	The sectors that their core mission was categorized under: Education; Health; Women, Youth & Children; Community & Rural Development; and Others.
Technical Efficiency	TE	TE = Total operating expenses \div Total Expenses

Allocative Efficiency	AE	AE= Total program expenses ÷ Total donated revenue
Current Ratio	CR	CR= Current asset ÷ Current liabilities

3.10 DATA ANALYSIS AND PRESENTATION

The data gathered was analyzed using descriptive tests, correlation, tests of difference of means, and regression analysis. The descriptive analysis included frequencies, summary statistics and graphs. T-tests were used to test for the significance of the observed relationships of the individual variables whereas the *R-square* (R^2) values were used to measure the overall significance of the relationships. The regression analysis was used to examine how corporate governance, amount of funds raised and efficiency are associated.

3.11 METHOD OF ESTIMATION

Considering the limited number of data on NGOs, an independently pooled cross sectional data is used. This deals with pooling random samples, drawn from the same population for different points in time. This system goes beyond aiding in increasing the sample size, to also help get more precise estimators and test statistics with more power (Wooldridge, 2012). Wooldridge (2012) further asserts that using pooled cross sectional data raises only insignificant statistical hitches. Using panel data for the years 2009-2013, ordinary least squares (OLS) regression is used to measure the effect of corporate governance and control variables on the operational efficiency and amount of funds raised by the NGOs, and how operational efficiency affects amount of funds raised.

3.12 ECONOMETRIC MODEL STATISTICAL TESTS

The statistical package, E- VIEWS, was used to perform the statistical analyses including descriptive statistics, T-tests, correlations and pooled OLS estimator regression tests. Descriptive statistics of the data gathered were calculated for each of the dependent, independent and control variables. Correlation analyses were carried out to identify the correlation between the dependent and independent variables. Correlation coefficients were used as a check for multicollinearity. The pooled regression analysis was undertaken to identify the association between the dependent variables and the independent variables. The data were analyzed at confidence levels of 99%, 95%, and 90%.

3.13 CHAPTER SUMMARY

This chapter discussed the methodology employed to conduct the research based on the research objectives and the research questions posed. To fulfill the research objectives, and to address the research questions, this research followed the positivism paradigm. Ontologically, this study builds on the position that reality is objective and it is a natural phenomenon.

The research adopted the deductive approach and the method of analysis was quantitative in nature. The statistical package, E- VIEWS, was used to perform the statistical analyses including descriptive statistics, T-tests, Correlations, and pooled OLS estimator multiple regression tests.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

This chapter analyzes and interprets the data collected for this study. The findings of this study are described in line with the objectives of the study: The relationships between corporate governance and fundraising, corporate governance and operational efficiency; and fundraising and operational efficiency of NGOs in Ghana. The next section of this chapter discusses the summary statistics of the study and the subsequent sections report the findings under the three themes outlined above.

4.2 DESCRIPTIVE STATISTICS

Table 4.1 provides a summary of the descriptive statistics for the data from 2009- 2013: the mean, median, minimums and maximums, and the standard deviation of the data under review.

Table 4.1 SUMMARY OF STATISTICS FOR VARIABLES MEASURED

	TE	AE	CR	AGE	SIZE	FUND (GH¢)	BS	GD
Mean	0.40	1.48	49.28	16.56	5.12	1,180,784.00	5.24	0.35
Median	0.4	0.72	7.44	9.00	5.08	147,325.00	5.00	0.33
Maximum	1.00	52.34	2141.62	123.00	6.85	29,223,661.00	17.00	1.00
Minimum	0.02	0.03	0.01	1.00	3.18	1,455.00	2.00	0.00
Std. Dev.	0.23	5.10	219.50	23.51	0.81	3404377	2.78	0.21

Source: Field Work, 2015

4.2.1 DESCRIPTIVE STATISTICS OF THE DEPENDENT VARIABLES

4.2.1.1 Amount of Funds Raised (FUND)

As illustrated by Table 4.3, averagely, the amount of funds raised by NGOs is GH¢1, 180,784, with the minimum and maximum being GH¢ 1,455 and GH¢29,223,661 respectively. This variable has a standard deviation of GH¢ 3,404,377 indicating that there is some level of deviation from the mean for the various NGOs sampled within the period.

4.2.1.1 Operational Efficiency Measures

Both the median and the mean of TE were found to be 40%. This suggests that NGOs are spending 40% of their overall expenditure on an average basis on administrative expenses.

Again, AE has a mean and median of 1.48 and 0.72 respectively. This indicates that the NGOs spend about 146% of their donated revenue on their program or project expenses. This can be plausible since NGOs may generate revenue from other sources and possible accumulated fund from previous years, apart from the donations and grants that they received in the particular period under review, hence resulting in NGOs spending more than their donated revenue on program expenses. Also, CR had a mean of 49.28, a median of 7.44 and a standard deviation of 219.50. This shows that the figures in this set of data are highly spread out and dispersed, considering the minimum of this set of data to be 0.011 and the maximum, 2141.623.

4.2.2 DESCRIPTIVE STATISTICS OF THE INDEPENDENT VARIABLES

4.2.2.1 BOARD CHARACTERISTICS

4.2.2.1.1 Board Size (BS)

The mean of board size is about 5 with the minimum and maximum directors being 2 and 17 correspondingly, as illustrated in Table 4.3. The mean of board size is above the minimum of 2 required for the registration of a company limited by guarantee for NGOs. The standard deviation is 2.78 indicating some level of dispersion from the mean. The average of board members on a board of NGOs sampled in Ghana is slightly below the average of 7 members on a board in NGOs in New Zealand, in the study of Reddy *et al.* (2013). Also, in a study conducted by Simpson (2008) on NGOs in Ghana, it was found that the average of members on a board was 7, with a minimum of 4 and a maximum of 14 on NGO boards, indicating a decrease in the average number and an increase in the range. However, comparing to profit making organizations in Ghana, it is quite evident that the average number on their boards are a bit higher, but with a relatively lower number for the maximum number of members on the board as compared to NGOs. For example, in the findings of Aboagye- Otchere *et al.* (2012) indicate that board size for listed firms in Ghana range from 5 –13 with an average of 9 members on a board. This is nonetheless not surprising because generally board size tends to be larger for NGOs (Reddy *et al.*, 2013).

4.2.2.1.2 Gender Diversity (GD)

In relation to how diverse a board is in terms of gender, Table 4.3 shows that the NGOs sampled revealed that the average of females on the board was approximately 2, with a minimum of 0 and a maximum of 11 females on a board. This shows that boards of NGOs in Ghana are about 35.1% diverse in terms of gender. This finding falls in line with the study conducted by Simpson

(2008) that found that for most NGOs operating in Ghana, the representation of females on their board is 2. The study done by Reddy *et al.* (2013) also corroborates this finding with an average of 2 females on the board and a maximum of 11 females on an NGO board. The standard deviation for this variable is 1.83.

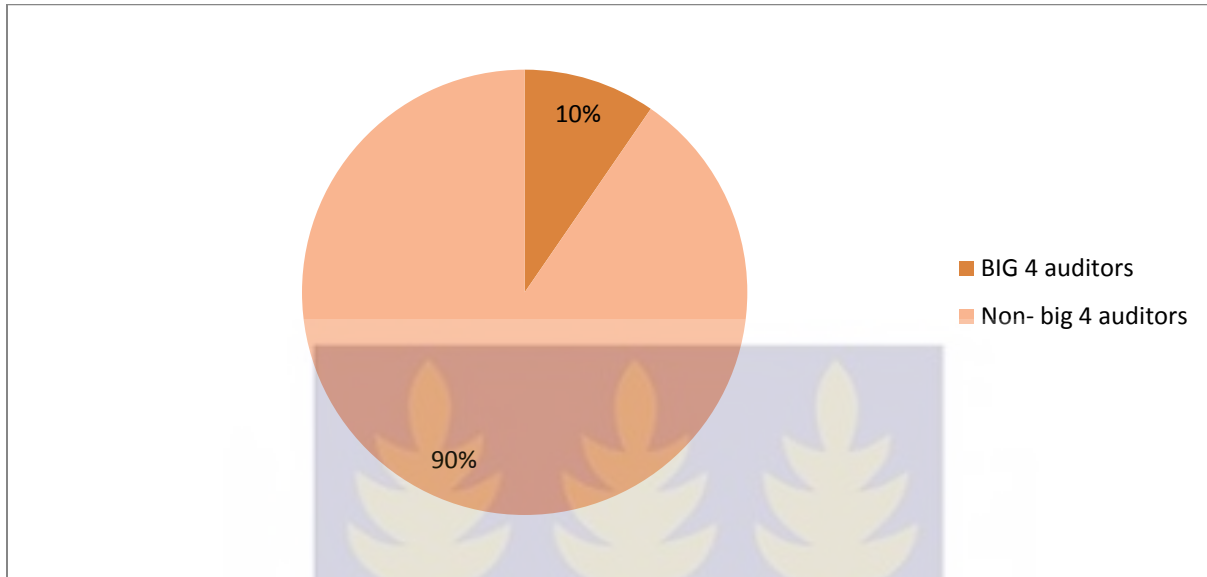
4.2.2.1.3 CEO- Board Chairman Duality (DUAL)

Considering the observations, 63.43% had the CEO and Board chairman as different people, while 36.57% had the CEO and Board Chairman being the same person. This is quite similar to the finding of Simpson (2008), also on NGOs in Ghana, which showed that majority of the NGOs interviewed had the CEO and Board Chairman positions being occupied by different people. This suggests that majority of NGOs in Ghana since 2008; still have different people occupying these positions, which is in accordance with the recommendation made by the Sarbanes Oxley Act.

4.2.2.1.4 External Auditor type (EAtype)

From the NGOs that were sampled, it was quite obvious that majority of them employed the services of a NON-BIG 4 audit firm rather than a BIG 4 audit firm (PricewaterhouseCoopers, KPMG, Ernst and Young and Deloitte and Touche). As illustrated by Figure 4.1, 90% were audited by NON-BIG 4 audit firms, whereas 10% were audited by the BIG 4 audit firms. This might be due to the high audit fees perceived to be charged by the BIG 4 audit firms.

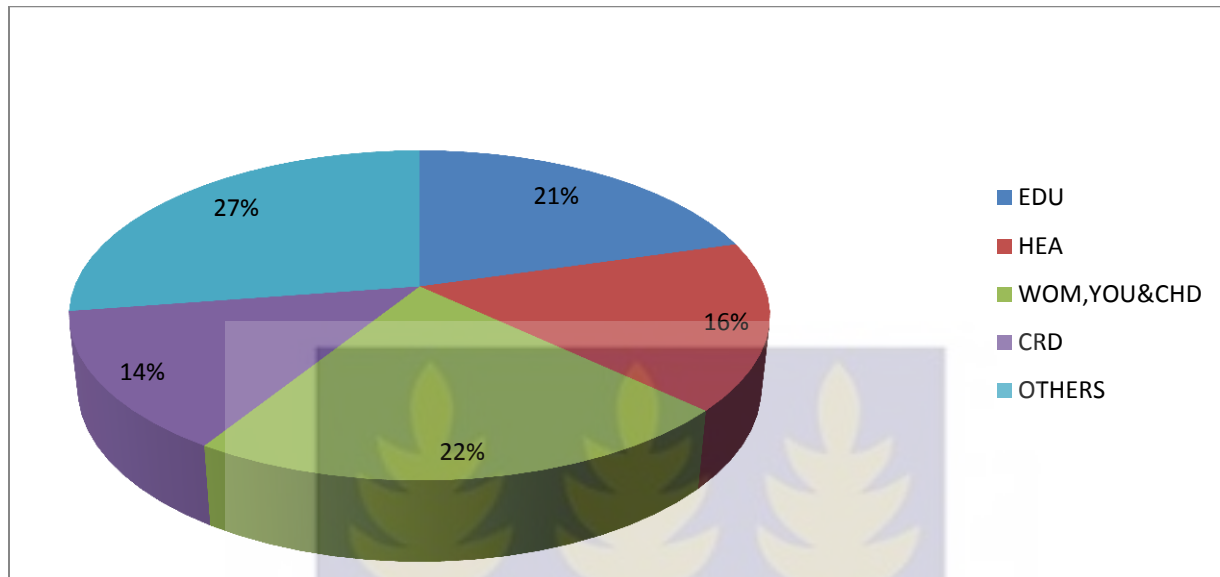
Figure 4. 1 DISTRIBUTION OF EXTERNAL AUDITOR TYPE



Source: Field Work, 2015

4.2.3 DESCRIPTIVE STATISTICS OF THE CONTROL VARIABLES

The mean and median of the age (number of years of operation in Ghana) of the NGOs was about 16.56 and 9 years respectively. The mean for of the total assets of the NGOs sampled was GH¢524,651.69. The data collected consisted of various sectors based on the core operation or mission of the NGOs. The distribution of the sectors (Education -EDU; Health- HEA; Women, youth and Children- WYC; Community and Rural Development- CRD; Others- OTH) for the data sampled is illustrated in Figure 4.2 below.

Figure 4. 2 DISTRIBUTION OF SECTORS

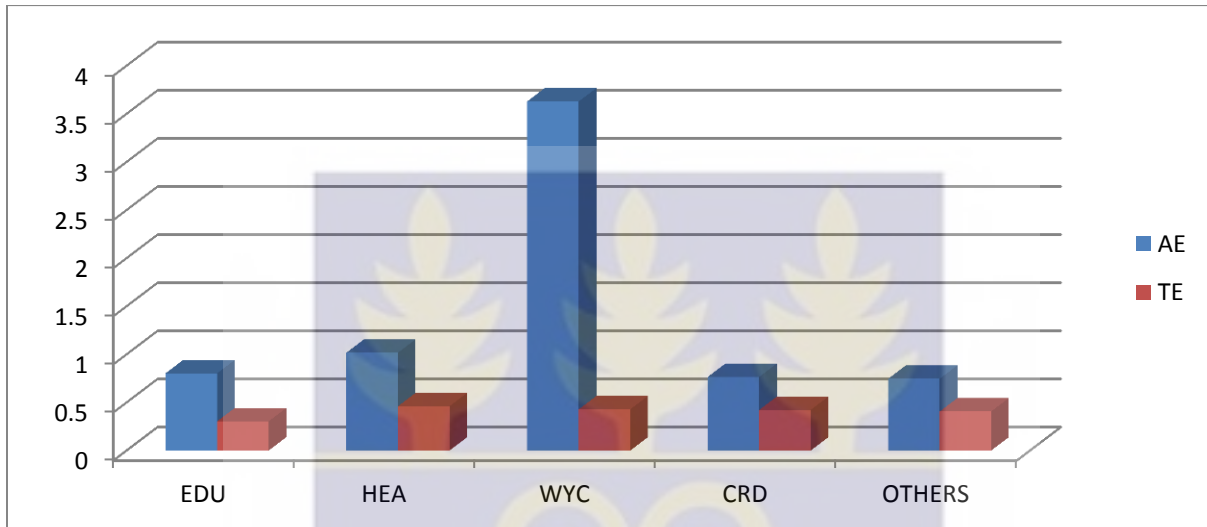
Source: Field Work, 2015

4.2.3.1 THE MEANS OF TE AND AE OF NGOs BY SECTORS

The Figure 4.3 below illustrates how efficient the various sectors are operating. It is clearly shown that, NGOs in the women, youth and children development sector had the highest mean of 3.63 for allocative efficiency (AE), which is far above the mean for AE (1.48) for the entire data set. This is followed by NGOs whose operations centers on education with 1.02. This reveals that NGOs whose operations centers on women, youth and children are more allocatively efficient, than the other sectors. Thus, they spend more of their donated revenue on their program expenses. Considering TE, only NGOs in the education sector had a mean of 30.32% which was below the TE of the entire data set, which was 40%. NGOs in the health sector also had the highest mean in terms of TE of 45.95%. For TE, a lower value indicates that the NGO is more efficient as it deals with the proportion of administrative expenses to total expenses. Hence

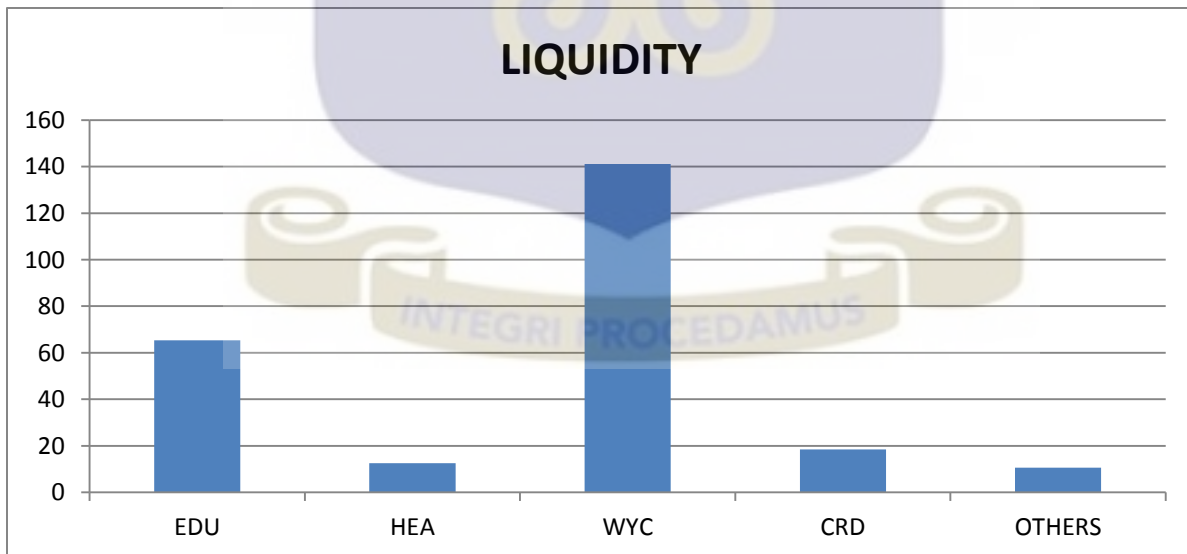
judging from this premise, NGOs whose operations center on Education tend to be more efficient than the other sectors.

Figure 4. 3MEANS OF TE AND AE OF THE VARIOUS SECTORS



Source: Field Work, 2015

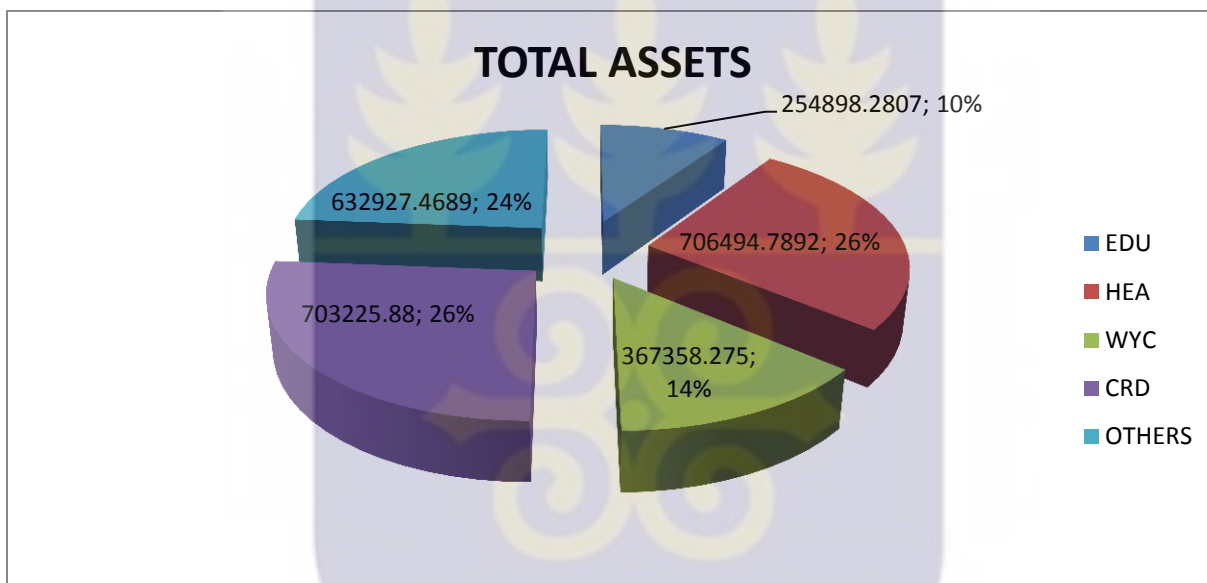
Figure 4. 4 MEANS OF CR OF THE VARIOUS SECTORS



Source: Field Work, 2015

From figure 4.4 above, NGOs in the women, youth and children development sector had the highest mean of 141.15, showing that this sector is able to use its current assets to cover its current liabilities about 141 times. This appears to be as a result of WYC generating more current assets than the other sectors. This is evident from WYC having the highest mean (GH¢2,519,647.43) in terms of current assets.

Figure 4.5 MEAN OF TOTAL ASSETS OF THE VARIOUS SECTORS OF NGOs

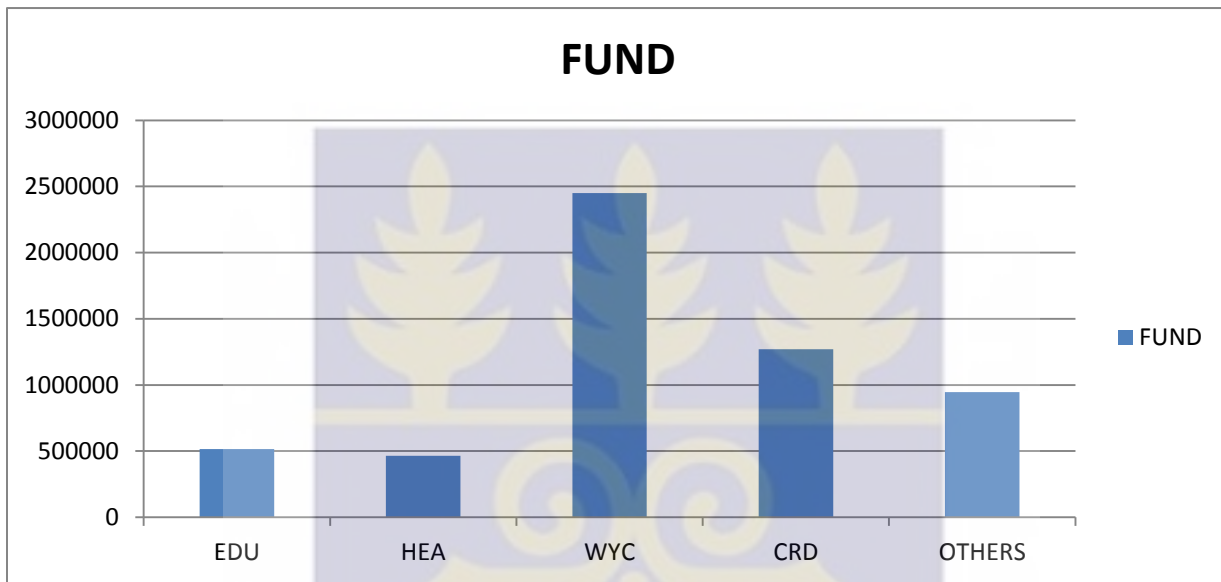


Source: Field Work, 2015

Figure 4.5 above illustrates the distribution of mean of total assets of the various sectors. The Health NGOs had the highest mean (GH¢706494.79) for total assets, closely followed by NGOs whose core mandate has to do with Community and Rural Development with a mean of total assets of GH¢703,225.88. The lowest mean for total asset, had to do with NGOs in the Education sector, with GH¢254,898.28.

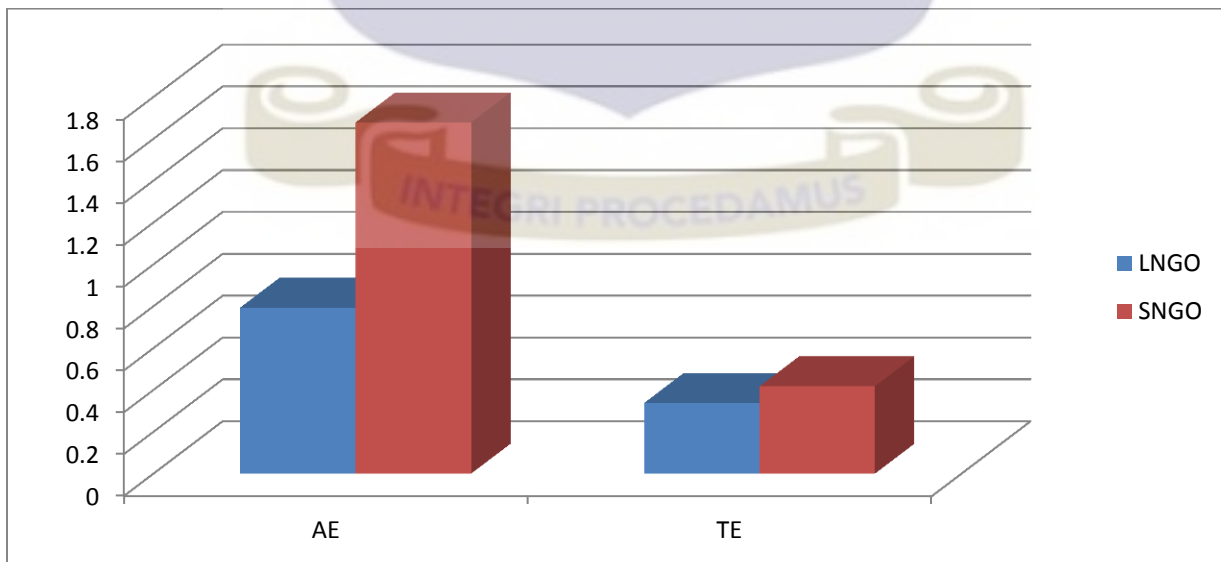
Figure 8 also shows that the Women, Youth and Children (WYC) raised the most funds of (GH¢2449353.16), followed by the mean of the Community and Rural Development (CRD) with (GH¢1269427.15). The least mean was that of the Health Sector, raising about GH¢ 464669.823.

Figure 4.6 THE AMOUNT OF FUNDS RAISED BY THE VARIOUS SECTORS



Source: Field Work, 2015

Figure 4.7 SIZE OF NGO AND ITS MEANS FOR AE AND TE



Source: Field Work, 2015

The categorization for large and small was based on the average of the entire data set which was GH ₵524,651.69. So NGOs with total assets below this average were categorized as small, while those with total assets above the data average were categorized as large. Hence LNGO refers to Large NGOs and SNGO refer to Small NGOs. Figure 4.7 illustrates that smaller NGOs in Ghana tend to more efficient, in terms of how they use the funds donated to them for their programs, while larger NGOs in Ghana tend to be more technically efficient than the smaller NGOs slightly.



4.3 CORRELATION ANALYSIS

Table 4 2. CORRELATION ANALYSIS

Correlation	TE	BS	GD	DUAL	EATYPE	LD	AGE	SIZE	SECT CRD	SECT HEALTH	SECT OTHERS	SECT WCY	CR	AE
TE	1.000000													
BS	0.019911	1.000000												
GD	-0.065583	0.144005	1.000000											
DUAL	0.077162	-0.399583	-0.033480	1.000000										
EATYPE	-0.255450	-0.472676	0.042671	0.111132	1.000000									
LD	0.146076	0.152486	0.097784	-0.235702	-0.092450	1.000000								
AGE	0.141359	0.452152	-0.073875	0.011008	-0.480084	0.078109	1.000000							
SIZE	-0.131733	0.319355	-0.179153	-0.021262	-0.264172	0.005337	0.283502	1.000000						
SECTCRD	0.008129	0.054557	-0.076227	0.217391	-0.120758	0.016618	0.256222	0.148910	1.000000					
SECTHEALTH	-0.111060	0.012936	-0.232210	-0.111132	0.083077	-0.055470	-0.167825	-0.110926	-0.203721	1.000000				
SECTOTHERS	0.287005	0.035879	0.166121	-0.058926	-0.129430	-0.030303	-0.001639	-0.196072	-0.282511	-0.240370	1.000000			
SECTWCY	-0.192778	-0.078093	-0.033482	0.112752	0.062799	-0.079727	-0.062423	0.184769	-0.256772	-0.218471	-0.302964	1.000000		
CR	-0.172609	-0.129462	0.199317	-0.023750	-0.011585	-0.095115	-0.087374	0.164632	-0.084200	-0.067046	-0.016813	0.215262	1.000000	
AE	-0.242010	-0.116180	-0.071193	0.054638	0.144398	-0.072802	0.274133	-0.023945	0.092653	-0.041721	-0.186099	0.049572	-0.016173	1.000000

Source: Field Work, 2015

From the Table 3.2 above, it was recognized that TE and BS are less positively correlated. GD and EAtype, as well as LD and SIZE are also less positively correlated. Also, EAtype and AGE, BS and EAtype and BS and DUAL are more negatively correlated. Whilst BS and AGE are also more positively associated.

Cohen (1988) categorized the correlation into three (3) namely; Small (0.1 to 0.29); Medium (0.3 to 0.49); and Large (0.5 to 1.0). Hence, from the correlation analysis in Table 4.2, the correlation between the variables were not large based on Cohen's (1988) categorization. Therefore there was no multicollinearity between the variables.

4.4 EMPIRICAL RESULTS OF THE OLS REGRESSION

The regression analysis was used to establish the relationships that exist between CG mechanisms, the amount of funds raised and the operational efficiency of NGOs. The regression models specified indicate how well the explanatory explains the dependent variable. R square is one measure that is used to test the goodness of fit of the models below. The R square refers to the proportion of the sample variation that is explained by X. However in statistics, the adjusted R-square statistic is generally the best indicator of the fit quality, because it accounts for the number of predictors in the equation.

The R square for Model 1 shows that the explanatory variables in this model explains the dependent variable (FUND) 71.77%, while the adjusted R square also reveal that this model is able to predict the FUND 66.13%. This is significant at a 1% significant level.

Tables 4.3 and 4.4 clearly reveal that the adjusted R squares are 16%, 14% and 17% for technical efficiency (TE), allocative efficiency (AE) and current ratio (CR) respectively. This shows that the independent variables are able to explain the dependent variables (TE) only 16%, AE only

14% and finally, the explanatory variables are able to explain the dependent variable (CR) 17%. However, all the models used in this study were all statistically significant at 1% as shown by the p- values in Table 4.3 and Table 4.4. Woodridge (2012) asserts that in social sciences, a low R square in regression equations are not unusual and particularly for cross sectional analysis. This does not essentially mean that the OLS regression equation is unusable, but that it is still possible that the independent variables are a good estimation of the dependent variable. For example a similar study by Reddy *et al.*, 2013 in this area of study also indicate that the models they used had adjusted R square of 14% for TE; for AE the model itself was insignificant and CR had an adjusted R squared of 31%.

From all the Tables 4.3 and 4.4, it became evident that the residuals were all normally distributed, since the p values were all greater than 0.05.

4.4.1 BOARD CHARACTERISTICS AND THE AMOUNT OF FUNDS RAISED

The association between the board characteristics (board size, gender diversity and CEO- Board Chairman Duality) and the amount of funds raised is clearly illustrated in Table 4.3 and is discussed below.



Table 4. 3 OLS REGRESSION RESULTS ON THE DETERMINANTS OF AMOUNT OF FUNDS RAISED (FUND)

Variable	Coefficient	Std. Error
BS	-0.02	0.02
DUAL	-0.20**	0.08
GD	-0.37***	0.13
AE	-0.45***	0.07
TE	-1.49***	0.20
EATYPE	-0.25*	0.13
SIZE	0.57***	0.03
AGE	0.00	0.01
SECTCRD	0.21***	0.05
SECTHEALTH	0.11	0.10
SECTOTHERS	0.09**	0.04
SECTWYC	0.29*	0.15
NUM2010	0.12***	0.03
NUM2011	0.64***	0.06
NUM2012	0.23***	0.06
NUM2013	0.33***	0.06
C	3.52	0.24
R-squared	0.72	
Adjusted R-squared	0.66	
F-statistic	12.71	
Prob (F-statistic)	0.00	

*, **, ***Statistically Significant at 10%, 5%, and 1%, respectively. (SE refers to the standard error).

Contrary to expectations, the Table 4.3 illustrates that this study did not find a significant relationship between BS and the FUND (amount of funds raised), as illustrated from the Table 4.3. This is contrary to what various findings from literature assert, that BS has an association with the amount of funds raised (Reddy *et al.*, 2013; Aggarwal *et al.*, 2012; Ostrower & Stone, 2009; Hillman & Dalziel, 2003). This suggests that this study, considering the context of NGOs in Ghana seem to imply that the number of members on the board do not have any association with the amount of funds the NGO is able to raise.

On the question of whether gender diversity has an association with the amount of funds raised, it was revealed as illustrated in Table 4.3 that indeed there is an association between the ratio of female members on the board of an NGO and the amount of funds raised at a 1% significance level. This is supported by the study by Keasey *et al.* (1997), which found a link between gender diversity and funds raised. The direction of this relationship was found to be negative, confirming the finding of Siciliano (1996) but going contrary to the findings of Ostrower and Stone (2009). In effect this means that in the context of this study, the diversity of the board in terms of its gender results in less funds being raised. The explanation for this relationship may be that in Ghana, women rarely represent large governmental and profit making organizations as compared to their male counterparts, and hence have a smaller amount of command over external resources. Thus, explaining their impact when they are appointed as NGO board members.

The results of this study as shown by Table 4.3 on the association between CEO–Board Chairman Duality and the amount of funds raised, was negative and significant at 1%. CEO duality has not been clearly studied in nonprofit governance literature. In this study, if the CEO or Executive director of the NGO is the same person as the Board Chairman, it leads to less funds raised. This finding can be explained in the light of the resource dependency theory, where the scope is widened for the generation of resources. Different individuals occupying these two positions might have different scope and access to external resources such as information or critical resources needed by the NGO. This widens the scope of the NGOs to critical elements in the operational environment as compared to if this position is held by one individual. Also, this result suggests that donors reward the higher levels of accountability to

curtail certain opportunistic behavior of management by committing more funds to the mission of that NGO.

In summary, answering the first hypothesis that was tested, it is clear that BS is not associated with the amount of funds raised by NGOs in Ghana; GD and DUAL are however negatively associated with the amount of funds raised by NGOs in Ghana.

4.5.2 OPERATIONAL EFFICIENCY AND AMOUNT OF FUNDS RAISED

The relationship between operational efficiency (Technical efficiency and Allocative efficiency) and the amount of funds raised is also illustrated in Table 4.3 above. The results shown in Table 4.3 reveal that TE and FUND are significantly negatively related. This means that the higher proportion of total expenses an NGO spends on administrative expenses, the lower the amount of funds it is able to raise. The studies of Tinkleman and Mankaney (2007) and Greenlee and Brown (1999) support this finding. However, Frumkin and Kim (2001) report contrary findings that there is no significant relationship between TE and FUND.

Considering the relationship between Allocative efficiency (AE) and the amount of funds NGOs are able to raise, AE has a significant negative effect on the funds raised. This is quite surprising since most literature often assert that a higher allocative efficiency leads to an increase in the amount of funds raised (Harris *et al.*, 2014).

4.5.3 AMOUNT OF FUNDS RAISED AND CONTROL VARIABLES

EAtype and FUND are significantly negatively related, as shown by Table 4.3. This implies that when an NGO uses the services of a NON-BIG 4-audit firm, it leads to a reduced amount of funds it raises. This appears to mean that donors give more, once the NGO employs the services of a BIG-4 audit firm, indicating that they seem to believe that due to the reputation of the BIG-4 audit firm, transparency, accountability and monitoring would be enhanced, so that monies donated would not be misappropriated.

Table 4.3 also displays that Size is significantly positively related to FUND. Therefore, larger NGOs generate more donations and grants than the smaller ones. This finding is corroborated by the works of Trussel and Parsons (2007) and Frumkin and Kim (2001), that also found donations to be positively linked to organizational size, whether measured as log of total assets (the price model), total contributions or total revenues.

From the findings, it was revealed that the NGOs whose core mission falls under, community rural development; Women, Youth and Children ; and Others were the sectors that were statistically significant at 1%, 10% and 5% respectively with the amount of funds raised.

However, the age of the NGO is not statistically significant with the amount of funds raised by the NGO, as revealed by Table 4.3. This is quite surprising as it was expected that older NGOs who have built their reputation and image over time should be able to assess more donations than the younger NGOs (Okten & Weisbrod 2000). This goes contrary to what Okten and Weisbrod (2000) found that age has a significant effect on the amount of funds raised by the NGO.

4.5.4 CORPORATE GOVERNANCE AND OPERATIONAL EFFICIENCY

The OLS regression results are outlined in the Table 4.4 below.

4.4 OLS REGRESSION RESULTS ON THE DETERMINANTS OF OPERATIONAL EFFICIENCY

	TE	SE	AE	SE	CR	SE
BS	0.00	0.01	-0.04	0.03	-0.17***	0.04
GD	-0.22**	0.11	0.38	0.28	2.47***	0.98
DUAL	0.07*	0.04	-0.12	0.15	-0.77	0.69
EATYPE	-0.12***	0.02	0.34	0.24	-0.92	0.57
LD	0.09***	0.04	-0.17	0.15	-0.90**	0.37
AGE	0.00	0.00	0.02*	0.01	-0.04***	0.01
SIZE	-0.05***	0.02	-0.05	0.06	0.83***	0.27
SECTCRD	-0.04	0.06	-0.06	0.19	-0.37	0.43
SECTHEALTH	-0.02	0.07	-0.13	0.14	1.08***	0.36
SECTOTHERS	0.10***	0.04	-0.28*	0.17	-0.41	0.53
SECTWYC	-0.10***	0.04	-0.06	0.26	0.26	0.34
C	0.75	0.08	0.81	0.60	-0.25	2.11
R-squared	0.25		0.24		0.27	
Adjusted R2	0.16		0.14		0.17	
F-statistic	2.61		2.4		2.64	
Prob(F-statistic)	0.01		0.01		0.01	

*, **, *** Statistically Significant at 10%, 5% and 1% levels, respectively (SE refers to the standard error).

4.5.4.1 Board Size

The association between board size and TE is positive but not significant as depicted in Table 4.4. Aggarwal *et al.* (2008) and Yeh *et al.* (2010) support this finding. De Andres Alonso (2006) and Callen *et al.* (2003) also find that there is no significant association between TE and BS. Considering AE, the results demonstrated in Table 4.4 discloses that there is no association between BS and AE. The study of Reddy *et al.* (2013) supports this finding. For NGOs who operate in Ghana, the number of members on their boards does not have any association with their level of efficiency. However, when it comes to their liquidity, the findings of this study

clearly reveal that larger boards in terms of their size lead to reduced liquidity. This could be explained by the increase in monitoring cost that leads to less efficiency in managing cash (Reddy *et al.*, 2013).

In general, BS is not associated with operational efficiency of NGOs in Ghana, with the exception of CR to answer the fifth hypothesis.

4.5.4.2 Gender Diversity

GD has a negative coefficient and is statistically significant at 5% as depicted by Table 4.4. This confirms that the presence of female directors improves TE in NGOs. An increase in gender diversity of the board by one female director leads to an increase in TE by about 22.19 %. This suggests that gender diversity ensures that administrative expenses of NGOs are reduced. This is consistent with the findings of Siciliano (1996), Carter *et al.* (2003), and Jurkus *et al.* (2008). This suggests that females on a board tend to monitor the activities of the board.

The relationship between CR and GD is positive and significant at 5%, indicating that a high gender diversity of the board improves the liquidity of the NGO. This can be attributed to the ability of the females to monitor the NGO's activities and thus, ensure that the risk levels are reduced. This may also be supported by Campbell and Miquez-Vera (2008), who described that the gender composition of the board can affect the quality of the monitoring role the board plays. This finding is in line with the findings of Reddy *et al.* (2013).

However, the effect of GD on (AE) was not significant. It is quite interesting that result of the study of Reddy *et al.* (2013) are in tandem with this study though their study was done in another jurisdiction.

In effect for the sixth hypothesis, gender diversity is significantly related to technical efficiency and current ratio; however, it is not significantly related to allocative efficiency of the sampled NGOs in Ghana.

4.5.4.3 CEO-Board Chairman Duality

In testing the seventh hypothesis, it became evident from Table 4.4 that DUAL significantly and positively influences TE at 10% significant level. This suggests that if the same person holds the role of the CEO/Executive Director and the Board Chairman, it tends to lead to a reduction in TE. This might be due to less monitoring and vigilance since the same person is holding both positions. In the lenses of the agency theory, the result confirms that having the same person occupying both positions reduces performance and creates room for opportunistic behaviour. The studies of Rechner and Dalton (1991) and Jensen (1993) support this finding.

From the findings, DUAL does not have an effect on AE and CR. This is supported by the finding of Dalton *et al.* (1998), who reports that there is no empirical link between DUAL and firm performance. Though, the context of the study of Yeh *et al.* (2010) was for profit making organization, they also disclosed that DUAL has an insignificant influence on operational efficiency.

Therefore, it is quite clear that with the exception of TE, AE and CR are not affected by CEO-Board Chairman Duality. This gives the impression that CEO- Board Chairman Duality does not significantly influence operational efficiency, as two out of the three measures proved to be statistically insignificant.

4.5.4.4 Large Donor (LD)

The presence of a LD positively influences technical efficiency; this is quite interesting as one would expect that the presence of large donors would ensure that NGOs are technically efficient. This finding was in line with the results of Yeh *et al.* (2010), whose sample was for profit making firms and Reddy *et al.* (2013). This might be so because the various NGOs may need to have certain administrative structures, strict reporting or auditing requirements in place to meet the criteria for assessing the funds from these large donors to fund the various projects of the NGO.

Also, Table 4.4 shows that there was a negative relationship at 5% significance between LD and CR. This suggest that in Ghana, NGOs with large donors tend to focus more on meeting the criteria of their contracts with these large donors, than they are on ensuring reduced levels of financial risks. Once again, the effect of this variable too on allocative efficiency is statistically insignificant.

Thus, for the hypothesis eight (8), as shown by Table 4.4, the presence of large donors (LD) influences TE and CR significantly, but not AE.

4.5.4.5 External Auditor Type

In testing for the last hypothesis of this study, the following results were observed from the Table 4.4. External audit type had a negative influence on TE at 1% significance. This can be interpreted to mean that NGOs audited by a NON- BIG-4 audit firm tend to be more efficient by reducing how much of the total expenses of the NGO spent on non-program expenses (administrative expenses) than NGOs audited by the BIG 4 audit firms. This could also mean that certain reporting quality, which comes in the form of increased administrative costs, must

exist for NGOs being audited by a BIG 4 audit firms as the audit firms would want to maintain their reputation. Also, better services provided by these BIG 4 for their clients comes at a cost and is evidenced in higher audit fees than their NON-BIG 4 counterparts (Gonthier- Besacier & Schatt, 2007), and this also increases non-program expenses.

However, EAtype is not statistically significant with AE and CR.

4.5.5 CONTROL VARIABLES

4.5.5.1 Age of the organization

The age of the NGO has an effect on how an NGO uses its donated revenue received on program or project expenses that is connected to the mission of the NGO at 10% significance. This goes contrary to findings by Reddy *et al.* (2013). NGOs who have existed for long tend to have a higher AE. This might be so because as an NGO exists for a number of years, it builds for itself a reputation and to keep that image, it ensures that the donated revenue it receives is channeled into its mission.

AGE and CR are negatively related and are statistically significant at 1%. This means that the NGOs which are older have lower liquidity risk than the younger NGOs. Hence, they tend to be better at managing their cash than their counterparts who have been in existence for fewer years.

AGE does not have any influence on TE, considering the sample of this study.

4.5.5.2 Size

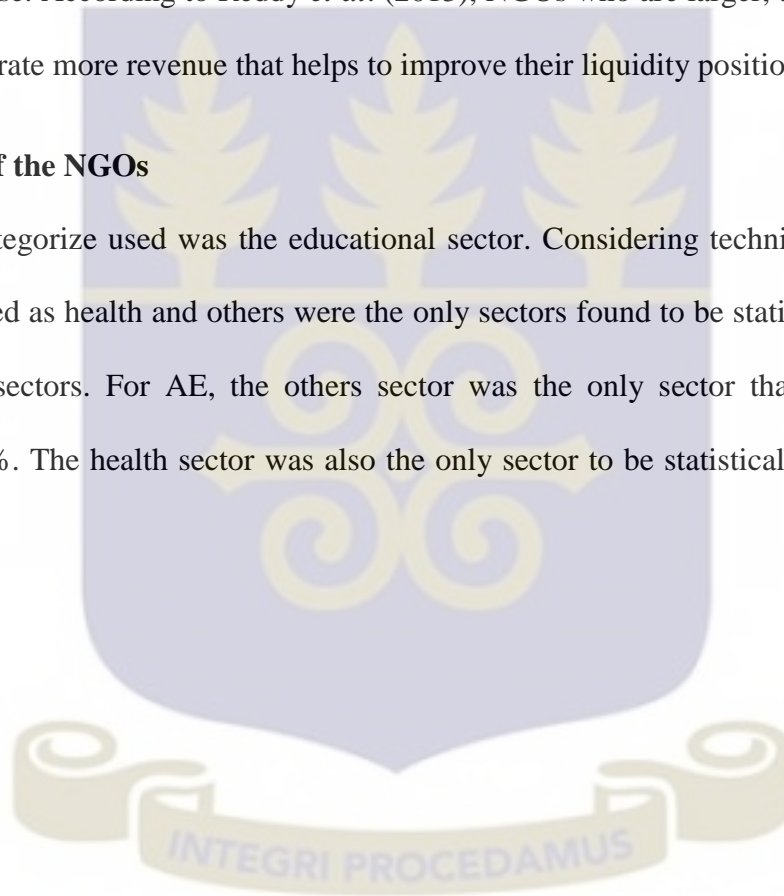
SIZE significantly influences TE and CR at a 1% significance level, however it has no effect on AE. Van der Heidjen (2013) supports the finding of this study that there is no relationship between AE and the size of an NGO. The direction of size's influence on TE and CR is negative

and positive respectively. In effect, it appears that smaller NGOs tend to incur high administrative cost, leading to reduced technical efficiency. This may be due to economies of scale enjoyed by the large NGOs. The large NGOs may have the ability to buy things in bulk and even attract more volunteers that can help reduce their administrative costs.

The NGOs with a larger asset base seem to manage their liquidity better than their colleagues with less asset base. According to Reddy *et al.* (2013), NGOs who are larger, tend to utilize their resources to generate more revenue that helps to improve their liquidity position.

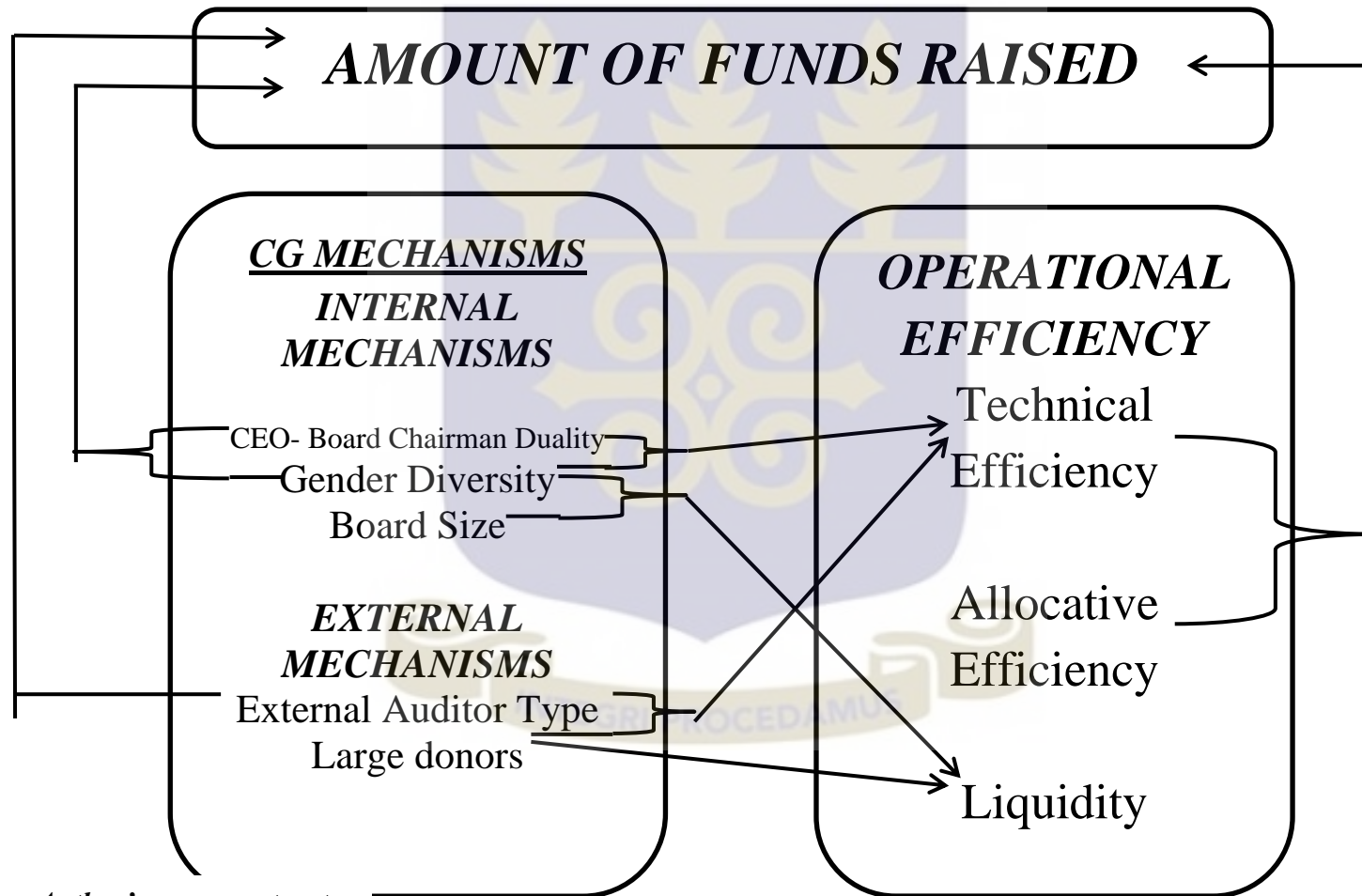
4.5.5.3 Sectors of the NGOs

The reference categorize used was the educational sector. Considering technical efficiency, the sectors categorized as health and others were the only sectors found to be statistically significant at 1% for both sectors. For AE, the others sector was the only sector that was statistically significant at 10%. The health sector was also the only sector to be statistically significant with current ratio.



4.6 REVIEWED CONCEPTUAL FRAMEWORK BASED ON THE FINDINGS

Figure 4.8 RELATIONSHIP BETWEEN CG MECHANISMS, OPERATIONAL EFFICIENCY AND AMOUNT OF FUNDS RAISED



Source: Author's own construct

The figure 4.8 clearly illustrates the various relationships that exist between the various CG mechanisms and the amount of funds raised. Figure 4.8 also shows how the CG mechanisms influence the various measures of operational efficiency employed in this study and also how the NGO's operational efficiency affects the amount of funds raised.

For the first objective, as illustrated in Figure 4.8, the findings revealed that, the higher the gender diversity on NGOs board, the smaller the amount of funds raised by the NGO. Also, NGOs with CEO- Board Chairman Non Duality raised high amount of funds. NGOs that employ the services of a BIG 4 audit firm appear to raise more funds for their operations. However, Board Size had no relationship with the amount of funds raised by NGOs operating in Ghana.

As illustrated by Figure 4.8, for Objective 2, the findings of this study revealed that the operational efficiency of NGOs operating in Ghana as measured by technical efficiency and allocative efficiency seem to influence the amount of funds that NGOs are able to raise to fund their operations.

For objective 3, as shown in figure 4.8 above, it became clear from the findings that Board size, Gender diversity and large donors have an impact on the liquidity of NGOs in Ghana. Also, Gender diversity, CEO- Board Chairman Duality, External auditor type and large donors had an effect on the technical efficiency, which deals with the proportion of the total expenses of the NGOs that is spent on administrative expenses. However, as clearly shown by figure 4.9 above, none of the CG mechanisms seemed to have a significant influence on the allocative efficiency of NGOs in Ghana. In effect, the findings revealed that the higher the gender diversity on board, the more technically efficient and liquid the NGO is. NGOs with CEO- Board Chairman Non Duality were more technically efficient. NGOs audited by NON-BIG-4 audit firms were more

technically efficient. The presence of large donors reduced the technical efficiency and liquidity of the NGOs. Finally, it was found that larger boards lead to reduced liquidity of NGOs.

4.7 CHAPTER SUMMARY

This chapter presented an analysis and discussion of findings made. It began with a discussion of the descriptive statistics of the dependent, independent and control variables. It went further to discuss the findings, considering the various hypotheses that were posited in this study.



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This study sought to find out the relationship between board characteristics and the amount of funds raised, how operational efficiency affects the amount of funds raised and finally how corporate governance practices affect operational efficiency of NGOs in Ghana. This study was necessitated by calls in literature to look at the broad CG mechanisms, both internal and external mechanisms and their effect on operational efficiency, specifically in a developing economy where little is known about the governance frameworks of NGOs. This chapter summarizes the main findings of the study, presents the conclusions made based on the findings and makes recommendations on how to improve the corporate governance practices of NGOs in Ghana to enable them access more funding and also become more operationally efficient.

5.2 SUMMARY OF FINDINGS

The salient findings of this study are outlined below.

5.2.1 Governance Mechanisms, Operational efficiency and FUND

The descriptive statistics reveal that the average number of board members on the boards of NGOs was found to be five (5) which is a little above the minimum requirement to register a company limited by guarantee. The boards of NGOs were also found to be fairly diverse (35%) in terms of gender. Most NGOs had their CEO- Executive Director being different persons, which is a good CG practice. This indicates that CEO-Board Chairman Duality is not the norm in the NGO sector in Ghana. The findings of this study also established that less than one half

(40%) of the total expenses by NGOs in Ghana is administration related. This seems to be relatively better than the results of Reddy *et al.* (2013) that had 49% for NGOs operating in New Zealand. Also, it was recognized that NGOs in Ghana spend more than their donated revenue on their program or project expenses. The mean of CR was about average. Considering NGOs that were sampled, it was quite obvious that majority of them employed the services of NON-BIG-4 audit firms rather than BIG-4 audit firms.

5.2.2 Governance Mechanisms and FUND

It was revealed that gender diversity on the boards of NGOs, leads to less amount of funds raised. This finding was quite surprising as one would expect that with the recent calls for women to be part of the governance of the country and organizations, there would be a positive effect on the inflow of donations, but the results of this study suggests otherwise. However, this might have been accounted for by NGOs putting women on the board in principle, but not carefully choosing women who can play the fundraising role by ensuring that the organization has access to information in the form of advice and counsel; access to channels of information between the firm and environmental contingencies; preferential access to resources; and legitimacy (Pfeffer & Salancik, 1978).

It is also interesting to note that NGOs that seem to have adopted the best practice of the CEO and Board Chairman positions being occupied by two separate persons, advocated for by the Sarbanes Oxley Act, though not a mandatory requirement for NGOs in Ghana, tend to have more donations than those NGOs who have the same person occupying both positions. This practice is likely to give signals to donors on the transparency and accountability levels of the NGO and hence leads them to donate.

One of the most striking results to emerge from this study was that board size did not have a statistically significant effect on the amount of funds raised, contrary to what literature posits. This clearly confirms the assertion of Ostrower and Stone (2006) that the findings in one context cannot be generalized in another jurisdiction, since board characteristics and the amount of funds raised is strongly influenced by their context.

EAtype and FUND are significantly negatively related. This implies that when an NGO uses the services of a BIG-4 audit firm which is considered a superior CG practice, they are able to raise more funds than their counterparts who used a NON-BIG-4 audit firm. Size is significantly positively related to FUND.

5.2.3 Operational Efficiency and FUND

TE and FUND are significantly negatively related, displaying that the higher proportion of total expenses an NGO spends on administrative expenses, the lower the amount of funds it is able to raise. Interestingly in the context of this study, AE has a significant negative effect on the funds raised revealing that a higher allocative efficiency leads to a decrease in the amount of funds raised. Hence, indicating that donors of NGOs who operate in Ghana do not reward those NGOs who spend more of the donated funds on the projects and programs that it was set up for.

5.2.4 Governance Mechanisms and Operational Efficiency

BS is not associated with operational efficiency of NGOs in Ghana. However, BS is associated with CR such that larger boards in terms of their size lead to reduced liquidity. Gender diversity was significantly related to technical efficiency and current ratio; however, it was not significantly related to allocative efficiency of the sampled NGOs in Ghana. Again, it was revealed that with the exception of TE, AE and CR are not affected by CEO- Board Chairman

Duality. DUAL significantly negatively influenced TE. The presence of large donors influenced TE (positively) and liquidity (negatively), but not AE. External audit type had a negative influence on TE. In this study, NGOs audited by a NON- BIG 4 audit firm seemed to be more efficient by reducing the amount of total expenses of the NGO spent on non- program expenses (administrative expenses) than NGOs audited by the BIG 4 audit firms. EAtype is not statistically significant with AE and CR.

5.2.5 Age, Size and operational efficiency

AGE had an effect on how an NGO used its donated revenue received on program or project expenses that is connected to the mission of the NGO. AGE and CR were also related negatively. But, AGE did not have any influence on TE, considering the sample of this study. SIZE significantly influences TE and CR, however it has no effect on AE. Nevertheless, while SIZE related negatively to TE, its relationship with CR was positive.

In summary, this study finds that the higher the gender diversity on board, the smaller the amount of funds the NGO raises, but the more technically efficient and liquid the NGO is. NGOs with CEO- Board Chairman Non Duality raised high amount of funds and were more technically efficient. NGOs audited by NON-BIG-4 audit firms were more technically efficient, but those with BIG-4 audit firm raised high amount of funds. The presence of large donors reduced the technical efficiency and liquidity of the NGOs. And finally, technical and allocative efficiency of NGOs affect the amount of funds they are able to raise.

5.3 CONCLUSION

The effect of the analysis, together with the key findings, provide the basis for some generalization about the corporate governance practices, amount of funds raised and the levels of operational efficiency of NGOs operating in Ghana. Therefore, the study makes the following conclusions based on the conceptual framework employed for this study.

The emphasis for the first objective was on how the internal CG mechanisms affect the amount of funds raised. Based on the findings, it could be concluded that both gender diversity on a board as well as CEO and Board Chairman Duality appear to result in raising less amount of funds by NGOs operating in Ghana. It can also be concluded based on the findings that in Ghana, NGOs that employ the services of a BIG 4 audit firm appear to raise more funds for their operations.

In effect, in the Ghanaian context, not all the Internal CG mechanisms influence the amount of funds that NGOs are able to raise but certain individual variables contribute to the amount of funds raised. Therefore NGOs may emphasize those mechanisms that influence the amount of funds raised in their bid to raise more funds to support their operations.

The results show that the operational efficiency of NGOs operating in Ghana, as measured by technical efficiency and allocative efficiency, contributes to the amount of funds that they are able to raise to fund their operations; the more efficient their operations, the higher the amount of funds that are raised. From the findings, it can be concluded that the CG mechanisms of NGOs operating in Ghana do not influence their level of allocative efficiency. Both internal mechanism and external mechanisms seem not to have an effect on how efficiently NGOs operating in Ghana use their donated revenue to fund their main mission of existence.

However, it could also be concluded that with the exception of Board size, all the other CG mechanisms, whether internal or external mechanisms examined in this study (gender diversity, CEO-Board Chairman Duality external auditor type and large donors) affect the technical efficiency of NGOs operating in Ghana. For the internal mechanisms, the monitoring role that they seem to play ensures that NGOs are technically efficient. However for the external CG mechanisms, the requirements and conditions for their service or operation in the NGOs reduce the level of technical efficiency in the short term, as they seem to increase the agency costs of the NGOs.

In summary, the results provided by this study lend support to the assertion in agency theory that there is the need for monitoring mechanisms in agency relationships to ensure organizational performance. This is evidenced in the findings that gender diversity leads to increased monitoring in the NGOs, contributing positively to operational efficiency of NGOs measured by both technical efficiency and liquidity. It also concludes that certain donor types also lead to improvement in operational efficiency measured by technical efficiency (TE). However, the evidence also leads to the conclusion that large boards and the presence of large donors reduce the liquidity of the NGOs operating in Ghana as they appear to increase the monitoring cost of the NGOs. Thus, the findings of the study project that NGOs with better corporate governance systems that can mitigate the opportunistic behavior of management, would be able to position themselves to access more funding and donations and also increase the level of their operational efficiency. This is evidenced by the fact that anytime there was an action by an NGO that purports accountability and transparency such as CEO-Board Chairman Duality, donors rewarded such actions and it led to certain levels of operational efficiency.

5.4 RECOMMENDATIONS

5.4.1. Introduction of Women, who have access to external resources onto the Boards of NGOs

Based on the finding that gender diversity leads to less amount of funds raised, serious considerations should be made when introducing women on NGO boards. Consideration should be given to women who can help play the fundraising role of the board in the same way that they seem to be playing the monitoring roles assigned to them, resulting in better technical efficiency and liquidity. Gender diversity of the board should not only be in principle to satisfy the calls for gender equality on boards. However, NGO boards should also go for women who have control over certain external resources such as access to information, and others that can increase the donation base of the NGOs, as well as play the monitoring role well, to ensure a balance. This is necessary since a number of NGOs rely on the amount of funds raised in financing their operations.

5.4.2 Clear-cut Guidelines on the NGO operations

Many of the CG mechanisms employed by the NGOs are voluntary in nature. From this study, it has become clear that employing some of these CG mechanism leads to high amount of funds raised and increased efficiency in NGOs operating in Ghana. However, in Ghana, the NGO Bill is still before Parliament and yet to be passed, resulting in an absence of a legal and formal system that highly regulates these NGOs in Ghana. Considering that NGOs in this context control an average amount of GH¢1, 180,784 in donations alone, as illustrated in Table 4.3 excluding other forms of income and an average total asset of GH¢524,651.69, there needs to be a legal system that should highly regulate their actions to ensure that these NGOs are not just set up and used as facades to syphon monies from donors and misappropriate such funds. Varied

scandals involving NGOs have happened in other nations elsewhere where NGOs have been involved, and where these NGOs are major contributors to the economy. Such guidelines could contain thresholds for how much of the amount they raise is mandated by law to go into the programs and projects they were set up for. This would instill confidence in NGOs operating in Ghana, as they compete for funds with NGOs from other countries.

Furthermore, based on the findings of this study, clear reporting and auditing guidelines should be set up so that irrespective of the type of audit firm, these guidelines would aid them as they audit NGOs, and perhaps reduce the impact that employing a NON- BIG 4 audit firm has on the amount of funds raised and even their level of efficiency.

5.5 RESEARCH CONTRIBUTION

5.5.1 Contribution to Research

Gender diversity on a board is not an end in itself but the quality of women on the board is also key and must go hand in hand. The ability of the women on the board to perform their fundraising role and also have access to critical resources that can help the NGO raise more funds should be taken into account before they are placed on the board. This would augment the effective monitoring role that they seem to be playing in the NGOs operating in Ghana.

Moreover, one addition to literature is that the choice of external auditor has an impact on the amount of funds raised and the technical efficiency of NGOs. Whereas the choice of a BIG 4 audit firm influences the amount of funds, the choice of a NON-BIG 4 audit firm affects the level of technical efficiency of NGOs.

This study also responds to the calls to increase the minimal research on NGO governance framework in Ghana (Fiador, 2013) and goes further to show and draw certain significant associations between these and governance practices and amount of funds raised and the operational efficiency of sampled NGOs that operate in Ghana. This provides a reference point for a small developing country with a relatively weak regulatory system governing these NGOs.

5.5.2 Contribution to Policy

There are certain recommendations that have been made above. However, in general, there has to be an introduction of a good regulatory system, incorporating best practices from the Sarbanes Oxley Act. It should also be noted that this study is timely given the concerns relating to the calls for the management and reporting requirements of NGOs. This should inform policy makers looking at how these CG mechanisms affect the amount of funds raised and the operational efficiency of NGOs, to work on improving the reporting requirement of NGOs to lift corporate governance practices to that of publicly listed companies in Ghana, especially considering how much resource these NGOs seem to be controlling.

The institutional structures also need to be strengthened to ensure proper monitoring and enforcement of the laws, and prosecution of NGOs who choose to be non-compliant to serve as a deterrent to others.

5.5.3 Contribution to Practice

To the practitioners in the NGO sector, it has been clearly spelt out in this study that NGOs who have adopted best practices of corporate governance or take any action that purports accountability and transparency in the organization have experienced an increase in the amount of funds raised. An example is where the CEO and Board Chairman positions are held by

different people. Another contribution that this work makes to practice is the need to carefully select the caliber of women placed on their boards to enhance their ability to access critical resources.

5.6 AREAS OF FURTHER STUDIES

An area for further studies would be to examine how these corporate governance practices evolve among organizations, in the light of institutional theory. This would help to understand whether these corporate governance practices adopted by these NGOs operating in Ghana, evolved as a result of mimetic, normative or cohesive isomorphism.

In this study, the board characteristics were limited to only three (board size, board diversity and CEO- Board Chairman Duality). However there are other characteristics of the board such as occupational diversity, board committees (such as the audit committees), frequency of board meeting, and ratio of executive and non-executive members on the board, among others. All these characteristics could be examined in the light of how they also affect the amount of funds NGOs are able to raise, as well as how it affects their operational efficiency.

5.7 CHAPTER SUMMARY

This chapter presented a summary of the findings of this study, in the light of the objectives that this study sought to achieve. The chapter also presented conclusions drawn at the end of this study, and projected some recommendations, considering the findings that this study made. Furthermore, it recommended areas for further studies.

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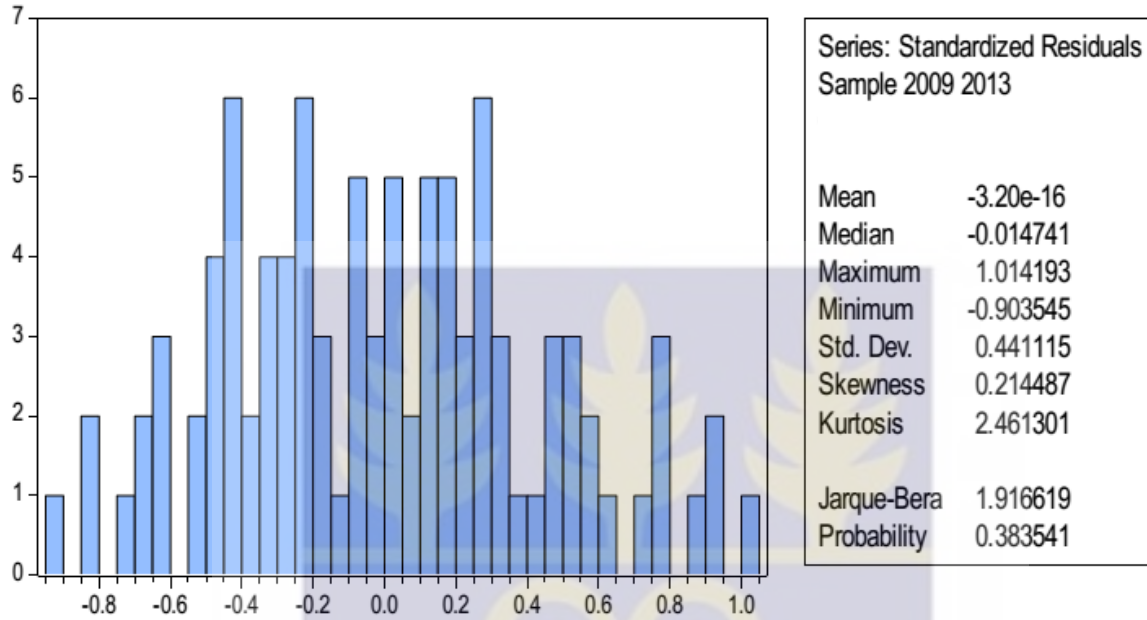
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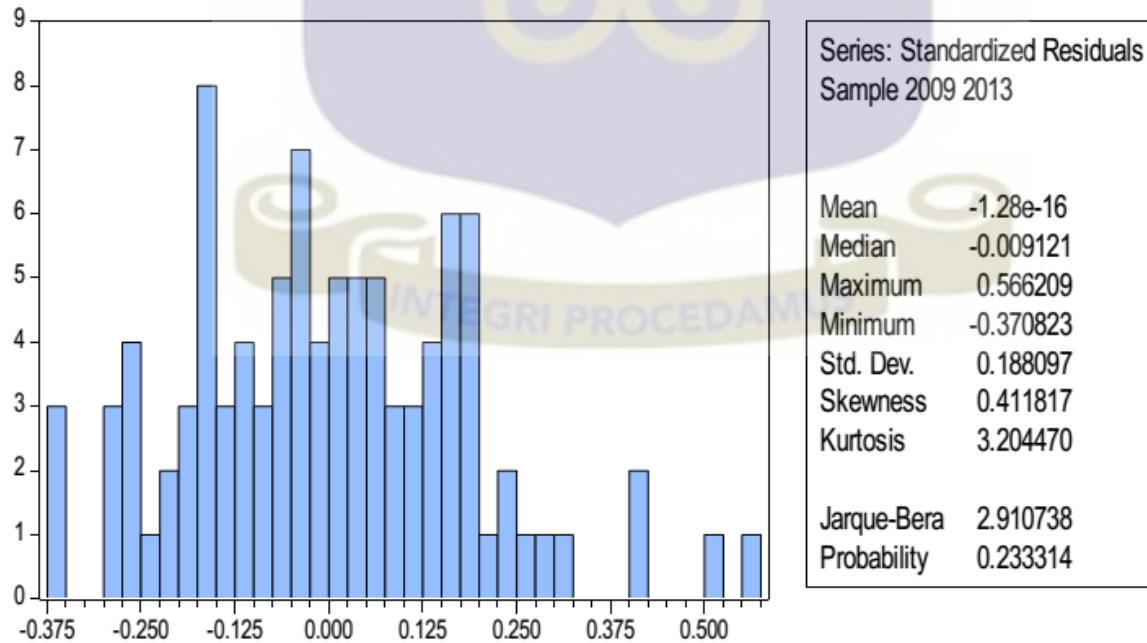


APPENDICES

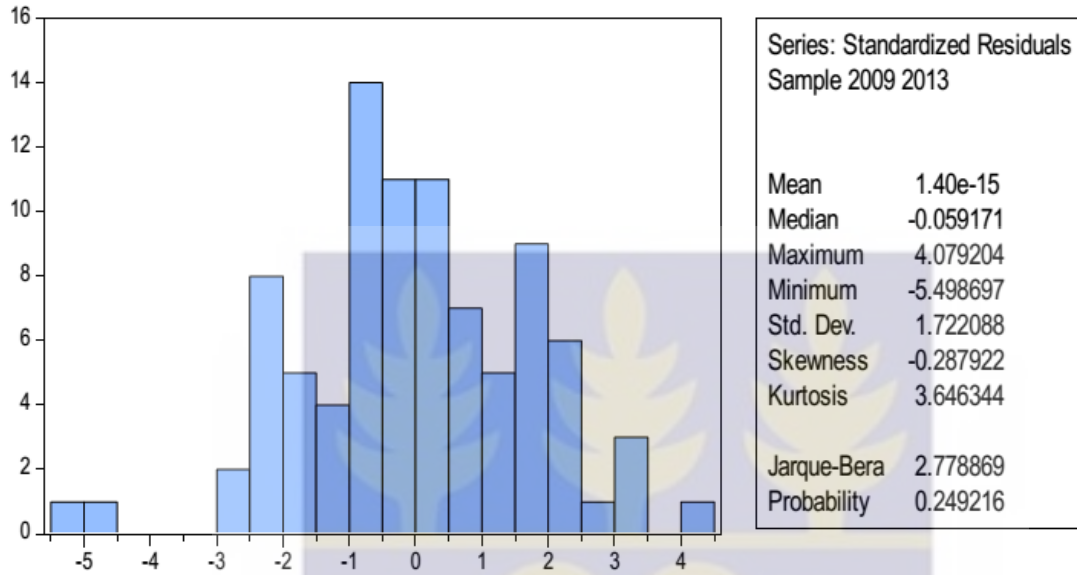
APPENDIX 1. DETERMINANTS OF FUND



APPENDIX 2. DETERMINANTS OF TECHNICAL EFFICIENCY



APPENDIX 3. DETERMINANTS OF CURRENT RATIO



APPENDIX 4. DETERMINANTS OF ALLOCATIVE EFFICIENCY

