AN ECONOMIC EXAMINATION OF NON-PROFIT ACCOUNTABILITY TO CLIENT-COMMUNITIES IN SOUTH AFRICA

By

Dineo Shirley Seabe

Abstract

The target of non-profit organisation (NPO) accountability is efficacy in achieving the mission, the efficient use of resource, risk-minimising and guarding against corruption (Mook, 2012). However, the focus for a long time has been on efficient use of money and policing maleficence, which has created a narrow view of NPO accountability as answering to donors at the expense of being accountable to the people they serve (Gent, Crescenzi, Menning & Reid, 2013; Mook, 2010; Murtaza, 2012). There has however been a shift inspired by normative ideas about the organisations’ responsibility to their clients beyond “a moral responsibility to provide services that reflect their true needs” (Guo, 2007, p. 459). Despite this shift and the arguments for greater accountability to clients, we still know very little about their role as principals of NPOs, and it has even received limited treatment in the theoretical economics literature (Jegers, 2015). This study, therefore, provides an economic investigation of the NPOs’ accountability to client-communities using South Africa as a case study. It first applies spatial econometric techniques to test the hypothesis that if NPOs are responsive to the needs of the people, a correlation between NPO density and demand for their services should be evident. The study then draws from principal-agent theory and the rights-based approach to formulate a framework and propositions to understand NPO accountability to these stakeholders. Two of the hypotheses are later tested: one related to the leadership characteristics correlated with greater responsibility to these communities and the other about the implications of greater NPO accountability for community satisfaction with the NPOs operations. The findings showed that NPOs are geographically concentrated due to agglomeration benefits from knowledge and skills, as well as the availability of philanthropic resources, but have broad geographic reach in terms of meeting the needs of communities. The organisations are also responsive to communities, which translated to favourable evaluations. However, the findings showed that the NPOs are more likely to be responsive if altruistic leaders with more education and experience control the organisations. Furthermore, revenue, location and organisational type are significant conditions for NPO responsiveness and mediate the relationship between accountability and community satisfaction. Overall, the findings lead to the conclusion that NPOs in South Africa, especially small community-based organisations are accountable to client-communities. Nonetheless, we identified several limitations which could be addressed by future research.