



# *AicE-Bs2022KotaKinabalu*

<https://www.amerabra.org>



10<sup>th</sup> Asia-Pacific International Conference on E\_B Studies  
The Magellan Sutera Resort, Kota Kinabalu, Sabah, Malaysia, 07-08 Sep 2022

## Online Accountability Practices among Non - Governmental Organisations (NGOs)

Nurul Hidayana Mohd Noor <sup>1</sup>, Hasnatulsyakhira Abdullah Hadi <sup>1</sup>, Mahazril 'Aini Yaacob <sup>1</sup>, Xiuli Zhao <sup>2</sup>

<sup>1</sup> Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA, Shah Alam, Malaysia

<sup>2</sup> Shandong Youth University of Political Science, China

hidayana@uitm.edu.my, hasnatulsyakhira@gmail.com, mahazril@uitm.edu.my, readyzhao@163.com  
Tel: 60173071803

### Abstract

This study measures the disclosure of non-financial information from NGO websites in Malaysia. This pilot study obtains empirical evidence through content analysis of 40 NGO websites to determine the extent to which information disclosure is carried out. Descriptive content analysis (score) is used in the inferential component of data analysis. The study results show that NGOs in Malaysia are weak in disclosing non-financial information such as customer satisfaction and complaints. This study provides empirical evidence on the importance of external audit formation for better information disclosure.

Keywords: Non-Financial Information; Disclosures; Websites; Non-Governmental Organizations (NGOs)

eISSN: 2398-4287 © 2022. The Authors. Published for AMER ABRA cE-Bs by e-International Publishing House, Ltd., UK. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>). Peer-review under responsibility of AMER (Association of Malaysian Environment-Behaviour Researchers), ABRA (Association of Behavioural Researchers on Asians/Africans/Arabians), and cE-Bs (Centre for Environment-Behaviour Studies), Faculty of Architecture, Planning & Surveying, Universiti Teknologi MARA, Malaysia.  
DOI: <https://doi.org/10.21834/ebpj.v7i21.3682>

### 1.0 Introduction

Nowadays, accountability is increasingly demanded by stakeholders of non-governmental organizations (NGOs). Both elements are essential to gain the trust of relevant stakeholders such as governments, donors, and beneficiaries, and NGO accountability may be the key to the survival of the NGO movement. Accountability incorporates a wide range of other organizations, individuals, and the environment and consists of qualitative and quantitative practices based on long-term effects. Such an approach recognizes the importance of accountability to service recipients and broader accountability for social impact on other organizations, individuals, and the wider environment (Ebrahim, 2010).

Disclosure of information is one of the essential elements of accountability. The annual report serves as the primary communication through which NGOs communicate information and activities to stakeholders. One of the main contents of the annual report is the organization's financial statement. Critics, however, disagree on the usefulness of annual reports in fulfilling responsibilities to stakeholders. This follows the detailed financial statements in the annual report, contributing to the need to create a more thorough list of things to report to NGOs (Zainon et al., 2014). The lack of legal standards means that there is insufficient information on the effectiveness of NGOs. There is evidence that sustainability reporting offers advantages for NGOs, where many empirical studies have found that the

eISSN: 2398-4287 © 2022. The Authors. Published for AMER ABRA cE-Bs by e-International Publishing House, Ltd., UK. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>). Peer-review under responsibility of AMER (Association of Malaysian Environment-Behaviour Researchers), ABRA (Association of Behavioural Researchers on Asians/Africans/Arabians), and cE-Bs (Centre for Environment-Behaviour Studies), Faculty of Architecture, Planning & Surveying, Universiti Teknologi MARA, Malaysia.  
DOI: <https://doi.org/10.21834/ebpj.v7i21.3682>

higher the level of sustainability reported, the higher the funding received (Gazzola et al., 2021). Therefore, NGOs that fail to report the impact of their activities will receive a lower amount of funding.

In Malaysia, there is no way for stakeholders, especially institutional donors and beneficiaries who are essential stakeholders in NGOs, to obtain information about charities, especially financial information (Zainon et al., 2014). Malaysia has an act that obliges NGOs to provide annual reports to relevant parties, such as the Malaysian Registrar of Society (ROS). However, this annual report which should be one of the accountability mechanisms through information disclosure is not fully communicated to other stakeholders such as donors, beneficiaries, and the public. Disclosure of information to donors is also limited to large organizations only and not all to individual donors. Based on a study conducted by Atan, Zainon, and Yap (2012) in the reporting environment of charitable organizations, the annual report provided to ROS is the only primary source of information for stakeholders to make decisions. However, annual returns are restricted to members of the organization and are not publicly available for review. Therefore, the current disclosure form is minimal based on regulatory reporting requirements.

Furthermore, the presentation of the account is not adapted to the information needs of the stakeholders (Atan, Zainon & Yap, 2012). In addition, another study conducted by Htay and Salman (2014) showed that the questionnaire results revealed a need for guidelines for disclosing financial and non-financial information in zakat institutions. Respondents emphasized that disclosure of zakat collection and distribution, information on activity statements and beneficiaries, comparative collection and disbursement statements, and information on the board of trustees are important reporting components. In this era, disclosure of non-financial information has also been observed to be as important as financial information. This is because both Act as one of organizational performance management (Gazzola et al., 2021). There is a lot of writing and research on the importance of financial information due to the availability of financial data. However, there is little research on non-financial information, especially project portfolios and NGO activities. Therefore, this study will discuss the importance of non-financial information disclosure. Literature reveals that non-financial information, such as mission, vision, targets, strategic plans, projects, and others, has a positive relationship with the number of donations the organization receives (Gazzola et al., 2021). Next, technology is seen to have significantly helped NGOs deal with stakeholders' different expectations. Websites can be a focal medium for sharing information in response to demands for transparency and addressing trust deficits between stakeholders. The website can be used to raise funds and create beneficiary participation online. A growing number of studies measuring the use of NGO websites have been conducted. Therefore, the main objective of this study was to assess the practical level of disclosure of non-financial information through NGO websites in Malaysia.

## 2.0 Literature Review

### 2.1 Accountability According to Stakeholder Theory

Although demands for accountability are ubiquitous today, the concept remains elusive. Accountability can be understood through five conceptual dimensions: transparency, responsibility, control, responsibility, and responsiveness. Romzek (2000) defines accountability as a relationship where a person or agency is held to account for a performance involving several stakeholders. Defining accountability in this way may initially seem obvious, but many complexities are involved. Even in a simple principal-agent relationship, it will become more complex with the inclusion of other parties. Stakeholders are individuals and groups that can influence or may be influenced by an organization's policies or activities. There are two types of stakeholders, namely internal stakeholders, and external stakeholders. Internal stakeholders are formally involved in the organization, for example, employees and volunteers, while external stakeholders are individuals or groups affected by the organization's decisions, such as beneficiaries and governments. The diversity of stakeholders in NGOs makes it challenging to have standardization in information disclosure. Therefore, NGOs need to identify key stakeholders to address these concerns. NGOs should be able to accommodate both stakeholders and not ignore any of them because it will interfere with the operations of the relevant organization. Because of that, the Internet has been used by NGOs as a powerful channel to facilitate communication and disclosure of account information with their stakeholders. In this study, researchers have examined the relevance of voluntary Internet disclosure to the increase of informational transparency of NGOs in Malaysia by analyzing how they use their websites in carrying out accountability processes towards various stakeholders.

### 2.2 Online Disclosure as an Accountability Mechanism

Disclosure of information is essential to ensure that the organization has implemented activities and programs within an acceptable standard. Disclosure of information is obtained from various sources, and it is essential to ensure that NGOs have implemented activities and programs appropriately. Disclosure reports can be provided legally or voluntarily by NGOs. In Malaysia, NGOs must submit annual reports to the Malaysian Registrar of Societies (ROS) or the Companies Commission of Malaysia (CCM) if they are registered under the CCM. NGOs are not obliged to report this information to the public.

Previous empirical studies have linked the importance of information disclosure with efficiency ratios and total funding. This is because stakeholders can use the information to evaluate the organization's performance. Although disclosing the information is an excellent attempt to be accountable to the recipient, the practice is still unclear and incomplete. In Malaysia, Atan, Zainon, and Yap (2012) concluded that NGO financial details could influence potential donors' decisions to donate. According to Ali Khan and Ismail (2012), the amount of donations is strongly and positively associated with the level of transparency. It shows that NGO management needs to increase the disclosure of their financial information. This is because the donor's decision to donate depends on the level of openness of the NGO.

Similarly, empirical researchers such as Meaux et al. (2021) and Saraité-Sariene et al. (2021) have discovered that greater information disclosure will help benefactors achieve a higher confidence level in NGOs, thus boosting their number of private contributions. Saraité-Sariene et al. (2021) study also supports the contention that transparency is essential to critical stakeholders and keeping contributors and

volunteers. Harris and Neely (2021) study discovered that the funders are increasing their funding to NGOs that can provide more evidence. Although some studies emphasized the importance of non-financial information disclosure and others focused more on financial information disclosure, we can conclude that information disclosure has a positive association between information disclosure and total contributions (e.g., Cheng & Wu, 2021; Harris & Neely, 2021).

In the 21st century, the Internet has become the primary medium for the third sector in disseminating information. NGOs share their information with stakeholders, especially beneficiaries and the community, using the Internet through websites, social media, and applications. Several empirical studies show that distributing information through websites is one of the best mechanisms to ensure constructive information disclosure. Based on a study of 50 NGOs in Australia, Haski-Leventhal and Foot (2016) found a significant correlation between the number of donations and changes in marketing and information disclosure. Websites are convenient mediums because their features are user-friendly. Thus, they are easy to use by all generations. In Malaysia, the use of websites by NGOs has increased over time. The stakeholders have also demanded this as one form of accountability. This medium has become essential in disclosing information because donors come not only from private organizations but also from the public. Before donating, they need to obtain financial and non-financial information about a particular organization. Therefore, they can easily access information through this website with just one click. In this regard, it should be remembered that up-to-date and relevant information is essential to give confidence and trust to NGOs. This pilot study will focus on NGOs that use websites as a medium for them to disclose information about the organization. The website serves as a platform for publishing financial and non-financial information and as a channel for stakeholder participation by providing feedback and activity updates. This online platform enables the involvement of all stakeholders and ultimately leads to effective accountability (Saraite-Sariene et al., 2020). The introduction of appropriate information exchange mechanisms is critical to ensure the free flow and availability of up-to-date information. Therefore, NGOs should use websites as one of the main mediums or platforms for disclosing information to reach most of their stakeholders.

### 3.0 Methodology

This study conducted a website analysis to collect information related to non-financial information disclosure activities by NGOs in Malaysia. According to Machin et al. (2018), pilot study sample size rules can be categorized into Flat and Stepped. A rule of thumb is a single number suggested for each situation which is 30. Therefore, for this pilot study, the researcher has selected 40 NGOs. The sample of this study is an NGO registered under the Malaysian Registrar of Society that has an active website. A list of NGOs with websites was obtained through a public database (<http://www.mycen.com.my/malaysia/ngo.html>), and random sampling was used to select 40 NGOs for this pilot study. The extent to which disclosure of non-financial information on websites is measured using the NGO Reporting Index in a study by Zainon, Atan, and Yap (2014). Zainon et al. (2014) revealed that the items contained in the NGO Reporting Index consist of 88 items. Nineteen items in the index will measure the disclosure of non-financial information on websites by NGOs. For the analysis process, the researcher used a descriptive content analysis technique to explain the data results in low and high scores. In this descriptive analysis, item frequencies were calculated and evaluated where one mark will be provided if the NGO fulfills the index and zero if not fulfilled. Website exposure index were evaluated based on the obtained score marks.

### 4.0 Findings and Discussion

Table 1. Website Exposure Index

Index	No. of NGO
Customer satisfaction	1
Well-handled customer complaints	1
Investment in technology and computer systems	40
New programs and services launched for new customer needs	11
New programs and services launched	10
Increase in customers every year	2
High-level program and service quality	40
Use of performance criteria to evaluate activities and services	11
Increased number of staff in training courses	2
Improvement of staff skills and performance every year	2
A high success rate is maintained every year	3
Completed high-level programs and services	15
Staff training	6
Non-financial resources	33
Victory or participation in special projects	10
Participation in regional events	40
Participation in international events	20
Customer statistics	16
List of activities	40

NGO websites should provide information on all elements related to the various dimensions of accountability, such as professional, ethical, legal, and employment. Based on Table 1, the index that shows the highest score (score=40) is on investment in technology and computer

systems, high-level programs and service quality, participation in regional events, and a list of activities. Technology helps NGOs reduce the scale of costs and increase trust in the government and the public. Because of this, many NGOs have now shifted to the era of virtual communities. To attract the attention of stakeholders, NGOs are also seen to be transparent in sharing their activities and successes.

Next, the item that gets the lowest score (score=1) is the element of customer satisfaction and well-managed customer complaints. Beneficiary satisfaction can be defined as everything related to how the beneficiary evaluates the service's quality or impact. It can be inferred from the rate of attendance or re-application for the services offered. This study found that only one NGO, the All-Women's Action Society, provided this information. This may be due to NGOs' difficulty in measuring the impact of programs or projects because the nature of the services performed is difficult to assess and monitor (Nanthagopan, Williams, & Thompson, 2018). As for the element of customer satisfaction, only one NGO (i.e., the National Union of Teaching Profession) published information about customer complaints being well managed. Complaints and feedback are powerful quality management tools for NGOs. In some cases, it can be used in the short, medium, and long term to make operational decisions and as input for future programs or activities. Therefore, efforts to identify this component need to be made by NGOs, and the response to complaints can be used as one the vital information that needs to be given to the public.

Next, in terms of score, two NGOs get the highest score, 17 out of 19 items. These NGOs are Mercy Malaysia and the National Cancer Council. Both NGOs are large-scale NGOs and have been established for a long time. These NGOs have a good reputation, significant funds, good leadership and organizational integration, a high number of volunteers, and many stakeholders. These factors can encourage them to see the importance of channeling non-financial information to the public. For example, using a sample of over 14,000 NGOs, Harris, and Neely (2021) found that organizations with more robust governance, better performance, and more professional staff were associated with higher transparency. Next, it was seen that most NGOs obtained a low score out of 10, which is as many as 33 NGOs. The pilot study's findings show that a few NGOs consider disclosing non-financial information unimportant. This may be due to the absence of principles or laws available to hold them accountable for disclosing information. If this culture continues, it will affect the performance of NGOs. Information disclosure practices among NGOs in Malaysia are also seen as non-standard and uniform. This is also due to NGOs' absence of specific guidelines or codes of conduct. This can also be supported by factors that influence information disclosure activities. First is the size of the organization. The larger the organization's size, the higher the activity of information disclosure. This has been proven by a study by Rodríguez, Pérez, and Godoy (2014) that the organization's size significantly and positively influences online transparency. Trussel and Parsons (2008) further argue that the size of an NGO is likely to represent the ability of an NGO to disclose comprehensive and attractive information to external organizations and institutions.

Research by Zainon et al. (2014) revealed that donors are more likely to demand higher levels of disclosure due to their lack of knowledge or in-depth understanding of NGO performance. Therefore, funders will be more interested in NGOs that provide relevant information. Research by Zainon et al. (2014) also stated that the stability of the source of income available through funding would cause a significant difference in the level of exposure between funded and unfunded NGOs. According to Bonson and Flores (2011), companies that combine their communication methods using online technology are due to their large scale and capabilities. NGOs at the global level use online transparency as a virtual platform to achieve stakeholders' demands. It is simple, cost-effective, and effective in the long run. Then, the factor affecting the extent of information disclosure depends on voluntary work. Most NGOs operate their primary functions by relying on volunteers. Volunteers are one of the essential elements for NGOs because they do not earn the income to pay many workers. In line with this, NGOs must introduce processes to maintain individual commitment. In this connection, Zarzuela and Anton (2008) observed that NGOs that rely too much on volunteers are more likely to disseminate relevant information to the public. Finally, Anggita's (2015) study found that the maturity of NGOs can positively affect the disclosure made by NGOs (Anggita & Rudianto, 2020). New NGOs generally lack the resources to carry out a comprehensive accountability process, especially administration and expertise.

Based on the study results, NGOs need to practice information disclosure as one of the mechanisms of accountability toward stakeholders. Researchers suggest that NGOs should increase the use of websites in information disclosure. They must constantly update the published information to ensure it is relevant to the public and other stakeholders. They can also refer to exposure indices from developed countries to be adapted or used as a revision guide. Disclosure is key to promoting a more efficient and sustainable environment. Disclosure of relevant information can create trust and increase funding. Research by Zainon et al. (2014) revealed that donors are more likely to demand higher levels of disclosure due to their lack of knowledge or in-depth understanding of NGO performance. Therefore, funders will be more interested in NGOs that provide relevant information.

## 5.0 Conclusion

NGOs have used the Internet as a powerful channel to facilitate communication with stakeholders. In this study, researchers have examined the relevance of voluntary disclosure of non-financial information via the Internet. The empirical evidence shows that the exposure level is at a low rate. In general, many NGOs use their websites to disclose information of a general nature for promotional purposes and do not contribute relevant informational content. Moreover, some NGOs do not allow users to use the Internet's relational and interactive capabilities. Therefore, the digital information transparency by NGOs in Malaysia is very low. NGOs should change their communication strategies and see the Internet as a method to increase their information transparency and accountability. Websites should not be oriented toward decoration. NGOs need to evolve towards a more informative environment that allows stakeholders to access relevant information about the organization's actions, the use of funds, and how the organization is governed. In general, this study expands the works on nonprofit accountability, which is substantial since a dearth of studies emphasizes website non-financial disclosure, especially from the Malaysian NGO context. We investigate critical non-financial information to discover potential shortcomings in the current practice. However, some limitations require further research to be conducted in the future. This study only analyzed 40 NGOs in Malaysia; future research is needed to study other NGOs to give more insight into how accountability mechanisms are practiced among NGOs in Malaysia.

Future research should also investigate other information disclosure platforms because online websites are not the only medium that can be used. Further research is needed to compare which medium is more effective for information disclosure. Researchers also suggest that future studies comprehensively analyze the website's exposure level. For example, through the index introduced by Zainon et al. (2014), there are other measurable items such as essential background information, financial information, governance information, and future information. Further research is also encouraged to associate the level of non-financial disclosure with the number of current donations, the existing volunteers, and the number of successful programs and activities. This measure can be done using regression and correlational analyses. Therefore, accountability measurement can be done comprehensively and accurately.

## Acknowledgments

Funds have been granted to this study from the Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA, under grant no. 600-TNCPI 5/3/DDF (FSPPP) (010/2021). This paper is one of the publication requirements required by the fund provider.

## References

- Ali Khan, M. N. A., & Ismail, N. A. (2012). A review of e-financial reporting research. *Journal of Internet and e-Business Studies*, pp. 1–16.
- Anggita, W., & Rudianto, N. A. R. (2020). The extent of information disclosure on nonprofit organizations in Indonesia. *International Journal of Advanced Research in Economics and Finance*, 2(3), 39-44.
- Atan, R., Zainon, S., & Yap, B. W. (2012). Quality information by charity organizations and its relationship with donations. *Recent Advances in Business Administration*, 6, 118-123.
- Bonson, E., & Flores, F. (2011). Social media and corporate dialogue: The response of global financial institutions. *Online Information Review*, 35(1), 34-49.
- Cheng, Y., & Wu, Z. (2021). The contingent value of political connections on donations to Chinese foundations: Exploring the moderating role of transparency. *Administration & Society*, 53(1), 36-63.
- Ebrahim, A. (2010). *The many faces of nonprofit accountability*. The Jossey-Bass handbook of nonprofit leadership and management, 18, 101–121.
- Gazzola, P., Amelio, S., Papagiannis, F., & Michaelides, Z. (2021). Sustainability reporting practices and their social impact on NGO funding in Italy. *Critical Perspectives on Accounting*, 79, 102085.
- Harris, E. E., & Neely, D. (2021). Determinants and consequences of nonprofit transparency. *Journal of Accounting, Auditing & Finance*, 36(1), 195–220.
- Htay, S. N. N., & Salman, S. A. (2014). A Malaysia case study proposed best practices of financial information disclosure for zakat institutions. *World Applied Sciences Journal*, 30(30), 288-294.
- Machin, D., Campbell, M.J., Tan, S. B, Tan, S. H. (2018). *Sample sizes for clinical, laboratory, and epidemiology studies* (4th Ed.). John Wiley and Sons. Hoboken, New Jersey.
- Meaux, E., Castillo-Díaz, D., Pradhan, N., Dayananda, S. K., Balboa, C. M., Goodale, E., ... & Goodale, U. M. (2021). Transparency about human diversity in transnational environmental NGOs. *Biological Conservation*, 256, 109027.
- Nanthagopan, Y., Williams, N., & Thompson, K. (2018). Levels and interconnections of project success development projects by non-governmental organizations (NGOs). *International Journal of Managing Projects in Business*, 12(2), 487–511.
- Rodríguez, M. D. M. G., Pérez, C. C., & Godoy, M. L. (2016). Política de eficiencia y transparencia en las ONG: el caso Colombiano. *Revista Innovar*, 26(60), 67-83.
- Romzek, B. S. (2000). accountability of congressional staff. *Journal of Public Administration Research and Theory*, 10(2), 413–446.
- Saraite Sariene, L., Caba Pérez, C., & López Hernández, A. M. (2020). Expanding the actions of Open Government in higher education sector: From web transparency to Open Science. *PloS one*, 15(9), e0238801.
- Saraite-Sariene, L., Galán-Valdivieso, F., Alonso-Cañadas, J., & García-Tabuyo, M. (2021). The role of women's leadership in environmental NGOs' online accountability. *Online Information Review*.
- Trussel, J. M., & Parsons, L. M. (2007). Financial reporting factors affecting donations to charitable organizations. *Advances in Accounting*, 23, 263–285.
- Zainon, S., Atan, R., & Yap, B. W. (2014). An empirical study on the determinants of information disclosure of Malaysian nonprofit organizations. *Asian Review of Accounting*, 22(1), 35-55.
- Zarzuela Acebes, Pablo, & Carmen Antón Martín. (2008). *Determinantes del compromiso social en los jóvenes*. Una extensión de la Teoría de la Acción Razonada.