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Governance in Non-Profits: Key Financial Oversight Strategies for NGOs

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Abstract

This research investigated the impact of governance on mitigating financial misconduct in non-governmental organisations (NGOs) in Bangladesh. A mixed-methods approach was employed to collect data from 100 respondents, comprising NGO staff, board members, donors, and beneficiaries. The results indicate notable deficiencies in governance awareness, training, and the efficacy of reporting mechanisms. A majority of respondents indicated familiarity with governance practices; however, a limited percentage deemed reporting systems effective. Donors underscored the necessity for rigorous financial accountability, while beneficiaries pointed out the detrimental effects of financial misconduct on trust in non-governmental organisations. The research indicates that augmenting training, refining reporting mechanisms, and promoting stakeholder engagement are essential for bolstering financial integrity and sustainability within the NGO sector. These insights offer important recommendations for NGOs seeking to enhance their governance frameworks and reduce financial risks.

Keywords: Governance; Financial Misconduct; Bangladesh; Accountability; Reporting Mechanisms; Financial Integrity; NGO Sustainability.

Introduction:

The Role of NGOs in Bangladesh: Non-Governmental Organisations (NGOs) have been significantly contributing to the socio-economic development of Bangladesh since its independence in 1971. The initial focus of NGOs on disaster relief and rehabilitation has broadened considerably to include diverse sectors such as education, health, microfinance, and women's empowerment. Bangladesh currently hosts more than 2,500 registered NGOs, positioning it as one of the most dynamic NGO sectors globally (Hossain, 2020). This proliferation is not simply a byproduct of civil society's expansion but an essential response to the challenges confronting the nation, such as poverty, illiteracy, and natural disasters.

Historical Context: The history of non-governmental organisations (NGOs) in Bangladesh dates back to the early 1980s, when multinational organisations began to form partnerships with local entities to solve critical issues. The 1980s microcredit movement, led by Grameen Bank, was a watershed moment that demonstrated the efficiency of community-based financial solutions in alleviating poverty (Yunus, 2007). The success of this strategy resulted in the expansion of microfinance institutions (MFIs) and other non-governmental organisations (NGOs), which have emerged as key participants in the country's development scene.

NGO Funding in Bangladesh: The funding landscape for NGOs in Bangladesh is complex, involving both domestic and international sources. International donors, comprising both bilateral and multilateral agencies, significantly contribute to the financing of NGO activities. The World Bank (2019) indicates that around 60% of NGO funding in Bangladesh is sourced from international donors, underscoring the reliance on external financial assistance. This reliance presents a dual challenge: it facilitates the expansion of effective programs while simultaneously introducing risks concerning financial sustainability and accountability.

Domestic funding sources, while less common, have begun to gain traction. Local businesses' corporate social responsibility (CSR) initiatives and individual philanthropy are increasingly vital in supporting NGO activities (Rahman, 2021). Although funding sources have increased, challenges persist in guaranteeing the effective and transparent use of these funds.

Financial Misconduct in NGOs: Financial misconduct within NGOs has received considerable attention in recent years. Misappropriation, fraud, and insufficient accountability compromise the credibility of NGOs and impede their capacity to fulfil developmental objectives (Khan & Rahman, 2020). Financial misconduct in NGOs is frequently attributed to inadequate governance structures, a lack of transparency, and insufficient oversight mechanisms (Chowdhury, 2019).

Inadequate financial management practices may result in various problems, such as budget overruns, unauthorised expenditures, and diminished trust from donors. A report by Transparency International Bangladesh (2021) indicated that 40% of surveyed NGOs experienced financial irregularities, raising concerns regarding their governance and operational integrity. These findings highlight the need for strong governance frameworks to reduce the risk of financial misconduct.

Importance of the Study: This study intends to investigate governance solutions that can improve financial monitoring in non-governmental organisations (NGOs) in light of the key role that non-governmental organisations (NGOs) play in Bangladesh's development and the growing concerns over financial malfeasance. For a number of reasons, it is crucial to have an understanding of how effective governance can prevent instances of financial misconduct:

1. **Strengthening Accountability and Trust:** An effective governance framework promotes accountability, essential for cultivating trust among stakeholders, such as donors, beneficiaries, and the broader public. Trust is essential for NGOs, given their dependence on external funding sources for effective operation (Khan, 2021).
2. **Promoting Financial Sustainability:** Effective governance practices enable NGOs to enhance financial management, which is essential for long-term sustainability. Studies indicate that organisations with strong governance frameworks are more capable of managing financial difficulties and optimising resource utilisation (Mersland, 2011).
3. **Enhancing Operational Efficiency:** Effective governance contributes to the reduction of misconduct and simultaneously improves operational efficiency. Clear financial policies and procedures enable NGOs to streamline operations, thereby maximising program impact (Mwangi, 2014).
4. **Informing Policy and Practice:** This study contributes to the knowledge base on NGO governance and financial management, offering insights that may inform policy decisions and organisational practices. This research identifies effective governance strategies that can guide NGOs in Bangladesh and comparable contexts (Ortega-Rodríguez et al., 2024).

Objectives:

1. To Assess Current Governance Practices
2. To Identify Key Factors Contributing to Financial Misconduct
3. To Explore Effective Governance Strategies
4. To Analyze the Impact of Digital Tools
5. To Evaluate Stakeholder Perspectives
6. To Propose a Governance Framework
7. To Contribute to Policy Development

Research Question:

1. **Whistleblower Protection:** How does the implementation of anonymous reporting and retaliation protection mechanisms contribute to reducing financial misconduct in NGOs?
2. **Risk Assessments:** What role do regular financial risk assessments and proactive measures play in identifying and preventing financial misconduct in NGOs?

3. **Role Segregation:** How does the segregation of duties (approving, recording, and handling funds) reduce the likelihood of fraud or mismanagement in NGO financial operations?
4. **Digital Financial Tools:** How do digital financial tools (e.g., budgeting tools, expense tracking, payroll systems) improve financial transparency and accountability within NGOs?
5. **Clear Financial Policies:** How do well-defined financial policies (covering budgeting, spending, auditing, and reporting) contribute to the reduction of financial irregularities in NGOs?
6. **Transparent Reporting:** To what extent does regular transparent reporting (monthly and quarterly reports) enhance stakeholder trust and reduce the risk of financial misconduct in NGOs?
7. **Independent Audits:** How do annual external and internal audits ensure the integrity and accountability of financial practices in NGOs?
8. **Financial Oversight Committee:** What impact does a dedicated financial oversight committee comprising board members and external experts have on the enforcement of financial controls in NGOs?
9. **Board Training:** How does targeted training for board members on financial governance and operations improve the financial oversight and reduce financial risks in NGOs?

Literature Review

Fiscal Responsibility and Operational Efficiency: Mwangi (2014) examined the impact of financial responsibility on the operational effectiveness of NGOs in Nairobi County. The research demonstrated that increased financial accountability enhances operational efficiency, promotes superior resource utilisation, and reduces misconduct. This discovery highlights the significance of transparent financial procedures in fostering effective governance.

Factors Influencing Financial Governance: Ogeh Fiador (2013) analysed financial governance practices in NGOs in Ghana, pinpointing critical factors that influence governance quality. The study highlighted that robust governance structures, encompassing accountability procedures and periodic audits, markedly diminish the probability of financial malfeasance.

Effective Governance Frameworks: Ortega-Rodríguez et al. (2024) performed a thorough literature assessment of governance strategies in nonprofit organisations. They determined that robust governance frameworks not only improve organisational efficacy but also act as essential protections against financial malfeasance. This underscores the necessity for NGOs to have comprehensive governance plans.

Performance Evaluation: Wadongo and Abdel-Kader (2011) examined performance management in nonprofit organisations, emphasising that effective performance measurements can pinpoint risk areas and guarantee accountability. Their research indicates that performance management systems are essential for upholding financial integrity in NGOs.

Function of External Supervision: Breen (2016) contended that external regulation of charities in Europe is essential. The study underscores that enhanced oversight measures can successfully prevent financial malfeasance and foster ethical governance through external inspection.

Fiscal Viability and Administration: Ebenezer et al. (2020) examined the determinants affecting the financial sustainability of NGOs in Ghana, emphasising the relationship between governance practices and financial viability. Their findings suggest that effective governance systems are crucial for maintaining financial resources and deterring wrongdoing.

Systems for Strategic Control: Ombima (2022) examined the impact of strategic control systems on the financial viability of NGOs in South Sudan. The research indicated that strategic controls improve accountability and guarantee the proper management of financial resources, thereby diminishing the likelihood of wrongdoing.

Ethical Standards and Board Development: Kumar (2013) examined the difficulties encountered by nonprofit organisations in India, highlighting the necessity for ethical principles and board training to enhance governance procedures. The author stated that proficiently trained boards are more inclined to maintain financial integrity and responsibility.

Function of Digital Instruments: Karanth (2018) proposed a conceptual framework for money management in NGOs, endorsing the utilisation of digital financial technologies to improve oversight and minimise errors. Digital technologies provide real-time monitoring, so enhancing governance and reducing the likelihood of financial malfeasance.

Research Gap:

1. **Context-Specific Governance Practices**: While studies have examined governance frameworks in various regions (e.g., Ghana, India), there is a lack of comprehensive research focusing specifically on the unique challenges and practices of NGOs in Bangladesh. More context-specific studies are needed to understand how local cultural, economic, and political factors influence governance.
2. **Integration of Digital Tools**: Although the use of digital financial tools has been suggested to enhance oversight, there is limited empirical evidence examining their effectiveness in reducing financial misconduct within NGOs. Further research is needed to explore how these tools can be integrated into existing governance structures in different organizational contexts.
3. **Longitudinal Studies on Financial Accountability**: Many studies focus on cross-sectional data, providing a snapshot of governance practices. Longitudinal research could help assess the long-term impacts of financial accountability measures on

organizational performance and misconduct, particularly in rapidly changing environments like Bangladesh.

4. **Stakeholder Perspectives on Governance**: Existing research often overlooks the perspectives of various stakeholders, including employees, donors, and beneficiaries, regarding governance practices. Understanding these viewpoints could provide a more comprehensive view of effective governance and its impact on reducing misconduct.
5. **Impact of Training Programs**: While the literature suggests that board training enhances governance, there is a lack of detailed studies evaluating the specific content and outcomes of such training programs. Research is needed to identify best practices for training NGO boards to effectively manage financial oversight.
6. **Comparative Analysis of Governance Models**: Most studies focus on single countries or regions without comparing different governance models across contexts. Comparative research could illuminate which governance strategies are most effective in reducing misconduct and promoting sustainability across diverse NGO settings.
7. **Causal Relationships Between Governance and Misconduct**: There is a need for research that establishes causal relationships between specific governance practices and instances of financial misconduct. Identifying these relationships would help NGOs prioritize which practices to implement for maximum impact.
8. **Influence of Regulatory Frameworks**: While external oversight is advocated, there is insufficient exploration of how different regulatory frameworks impact the governance and financial practices of NGOs in different regions. Research could clarify the relationship between regulatory environments and the incidence of financial misconduct.

CONCEPTUAL FRAMEWORK

Fig 1 shows that how can our conceptual framework can work.

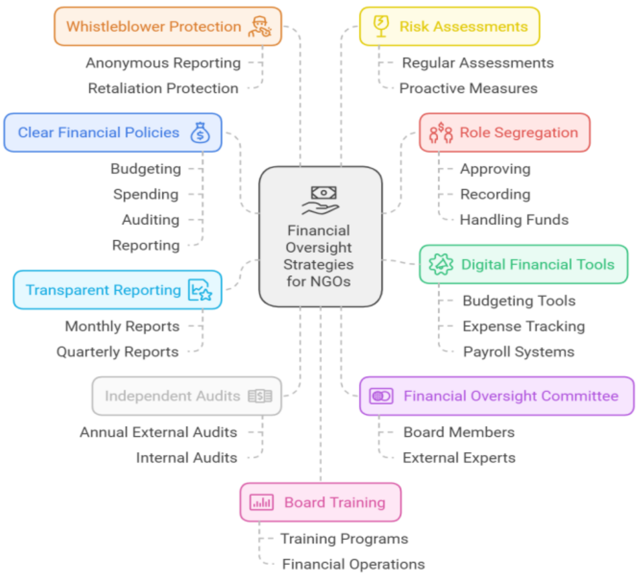

Fig 1: Conceptual Framework

1. Set Clear Financial Policies and Procedures:
How it reduces misconduct: Establish comprehensive financial guidelines, covering budgeting, spending, auditing, and reporting. Clear documentation helps limit unauthorized transactions and ensures all financial activities are traceable.

Governance Strategy: The Board should review and approve all financial policies and ensure these align with the NGO's objectives and legal frameworks.

2. Create Transparent Reporting Mechanisms:
How it reduces misconduct: Regular financial reporting (monthly/quarterly) ensures transparency and allows for early detection of irregularities.

Governance Strategy: Financial reports should be accessible to stakeholders, board members, and auditors, allowing them to review performance and detect any discrepancies.

3. Independent Financial Audits:
How it reduces misconduct: External, independent audits provide an unbiased review of financial activities, ensuring that any potential misconduct is identified and addressed.

Governance Strategy: The Board should mandate annual external audits and internal audits to be conducted by independent professionals. Results should be openly shared within the organization.

4. Establish an Internal Financial Oversight Committee:
How it reduces misconduct: A dedicated committee ensures financial decisions are in line with the NGO's mission and safeguards against improper expenditures.

Governance Strategy: The committee should include board members and external experts who meet regularly to review financial practices, spending, and compliance with the law.

5. Enforce Role Segregation (Separation of Duties):
How it reduces misconduct: Dividing financial responsibilities (e.g., approving, recording, and handling funds) reduces opportunities for fraud.

Governance Strategy: Ensure no single individual is responsible for all stages of financial transactions. The Board should enforce this through strict role segregation policies.

6. Implement Digital Financial Tools with Monitoring:
How it reduces misconduct: Using digital tools for budgeting, expense tracking, and payroll can automate processes and leave digital footprints, reducing manual errors and opportunities for fraud.

Governance Strategy: The governance body should invest in robust financial software and ensure these systems include built-in monitoring and real-time reporting.

7. Whistleblower Protection and Hotline System:
How it reduces misconduct: Employees can anonymously report any suspicions of financial wrongdoing without fear of retaliation.

Governance Strategy: Establish a confidential whistleblower mechanism that is directly overseen by the Board, ensuring any reports are taken seriously and investigated promptly.

8. Conduct Regular Risk Assessments:
How it reduces misconduct: Assessing financial risks regularly identifies potential vulnerabilities in the system and helps the NGO take proactive measures to prevent misconduct.

Governance Strategy: Risk assessments should be integrated into board meetings, with plans developed to mitigate any identified risks.

9. Strengthen Board Training on Financial Literacy:
How it reduces misconduct: Board members with financial knowledge are better equipped to spot irregularities and ask critical questions regarding financial practices.

Governance Strategy: Regular training programs on financial oversight should be organized for board members to ensure they understand the financial operations and risks.

10. Partner with Regulatory Bodies and Donors:
How it reduces misconduct: Working closely with donors and regulatory bodies ensures that financial activities are aligned with external standards and expectations.

Governance Strategy: Governance should promote strong, transparent relationships with donors and regulatory authorities. Regular financial updates should be shared with these entities to ensure compliance.

11. Develop Financial Ethics Guidelines:
How it reduces misconduct: A well-communicated financial ethics code will foster a culture of honesty and transparency within the organization.

Governance Strategy: The Board should approve a detailed code of ethics, including guidelines on financial management. This should be communicated to all staff members and tied to accountability measures.

12. Perform Data-Driven Decision Making:
How it reduces misconduct: Using data analytics to assess financial decisions and outcomes allows for better monitoring of spending patterns, making it harder to hide fraudulent activities.

Governance Strategy: Financial data analysis should be integrated into the decision-making process. Board members should review data trends regularly to ensure fiscal responsibility.

13. Establish Transparency in Donor Funds Utilization:
How it reduces misconduct: NGOs should publicly disclose how donor funds are allocated, making it harder for individuals to misuse those funds.

Governance Strategy: Establish a process where donor fund utilization is reviewed by both internal and external stakeholders, with reports made publicly available for increased accountability.

14. Regular Monitoring of Staff and Vendor Payments:

How it reduces misconduct: Constant monitoring ensures that staff salaries and vendor payments are correct and that there are no false claims or misallocations.

Governance Strategy: Introduce automated payroll and vendor payment systems overseen by both the finance team and the board to eliminate the risk of mis payment or fraud.

Methodology: The methodology for this study involved a mixed-methods approach to gather comprehensive insights into governance practices and financial misconduct in NGOs in Bangladesh. A structured questionnaire was designed and administered to four distinct stakeholder groups: NGO staff, board members, donors and funding agencies, and beneficiaries. This approach allowed for a diverse range of perspectives on financial governance. The sample comprised 100 respondents, with 40 NGO staff, 30 board members, 20 donors, and 10 beneficiaries, ensuring representation across different levels of involvement with NGOs. Quantitative data were collected through closed-ended questions, while qualitative insights were captured via open-ended questions, allowing respondents to elaborate on their experiences and suggestions. Data analysis involved calculating frequencies and percentages to identify trends and patterns, supplemented by thematic analysis of qualitative responses to gain deeper understanding. This methodology provided a robust foundation for exploring the relationship between governance practices and financial misconduct, ultimately guiding recommendations for improved financial oversight in the NGO sector.

Analysis

1. **NGO Staff (40 Respondents)**

- **Governance Awareness**

Type of response	No. of respndents:	%
Very familiar	15	37.50%
Somewhat familiar	20	50.00%
Not familiar	5	12.50%
Total	**40**	

- **Financial Management Practices**

Types of Response	No. of respondents:	%
Regular audits	25	62.50%
Budget reviews	10	25.00%
No formal practices	5	12.50%
Total	**40**	

- **Incidence of Misconduct:**

Types of Response	No. of respondents:	%
Witnessed misconduct	10	25.00%
Never witnessed	30	75.00%
Total	**40**	

- **Reporting Mechanisms:**

Types of Response	No. of respondents:	%
Very Effective	10	25.00%
Effective	20	50.00%
Ineffective	10	25.00%
Total	**40**	

- **Training and Capacity Building:**

Types of Response	No. of respondents:	%
Received Training	25	62.50%
No Training	15	37.50%
Total	**40**	

- **Suggestions for Improvement:**

Types of Response	No. of respondents:	%
Increase training	30	75.00%
Strengthen reporting mechanisms	10	25.00%
Total	**40**	

2. Board Members (30 Respondents):

- **Governance Structure**

Types of Response	No. of respondents:	%
Strong governance	12	40.00%
Moderate governance	15	50.00%
weak governance	3	10.00%
Total	**30**	

- **Financial Oversight Mechanisms:**

Types of Response	No. of respondents:	%
Regular financial reviews:	20	66.67%
External audits	10	33.33%
Total	**30**	

- **Accountability Measures:**

Types of Response	No. of respondents:	%

Monthly Reports	18	60.00%
Annual Reviews	12	40.00%
Total	**30**	

- **Stakeholder Engagement:**

Types of Response	No. of respondents:	%
Regularly engage	15	50.00%
Occasionally engage	10	33.33%
Rarely engage	5	16.67%
Total	**30**	

- **Evaluation of Financial Policies:**

Types of Response	No. of respondents:	%
Annually	20	66.67%
Biannually	10	33.33%
Total	**30**	

- **Recommendations:**

Types of Response	No. of respondents:	%
Enhance training for board members	18	60.00%
Improve communication with staff	12	40.00%
Total	**30**	

3. Donors and Funding Agencies (20 Respondents)

- **Funding Criteria:**

Types of Response	No. of respondents:	%
Transparency in operations	15	75.00%
Previous performance	5	25.00%
Total	**20**	

- **Financial Accountability Expectations:**

Types of Response	No. of respondents:	%
Strict accountability	12	60.00%
Moderate accountability	08	40.00%
Total	**20**	

- **Monitoring Mechanisms:**

Types of Response	No. of respondents:	%
Regular audits	12	60.00%
Occasional reviews	08	40.00%
Total	**20**	

- **Incidents of Misconduct:**

Types of Response	No. of respondents:	%
Yes, withdrew funding	5	25.00%
No incidents	15	75.00%
Total	**20**	

- **Communication with NGOs:**

Types of Response	No. of respondents:	%
Clear communication	16	80.00%
Some communication	4	20.00%
Total	**20**	

- **Suggestions for NGOs:**

Types of Response	No. of respondents:	%
Improve financial transparency	14	70.00%
Increase stakeholder engagement	6	30.00%
Total	**20**	

4. Beneficiaries (10 Respondents):

- **Awareness of NGO Operations:**

Types of Response	No. of respondents:	%
Very aware	3	30.00%
Somewhat aware	5	50.00%
Not aware	2	20.00%
Total	**10**	

- **Impact of Financial Misconduct:**

Types of Response	No. of respondents:	%
Significant impact	6	60.00%
Minor impact	4	40.00%
Total	**10**	

- **Feedback Mechanisms:**

Types of Response	No. of respondents:	%
Easy to provide feedback	4	40.00%
Difficult	6	60.00%
Total	**10**	

- **Trust in NGO:**

Types of Response	No. of respondents:	%
High trust	5	50.00%
Moderate trust	4	40.00%

Low trust	1	10.00%
Total	**10**	

- **Expectations from NGOs:**

Types of Response	No. of respondents:	%
High transparency	8	80.00%
Basic accountability	2	20.00%
Total	**10**	

- **Suggestions for Improvement:**

Types of Response	No. of respondents:	%
More transparency	5	50.00%
Regular community meetings	5	50.00%
Total	**10**	

Summary of Responses for the Narrative Part of the Questionnaire:

1. NGO Staff (40 Respondents)

Governance Awareness: A significant portion (87.5%) of respondents reported being at least somewhat familiar with their organization's governance policies. However, only 37.5% felt very familiar, indicating room for improvement in knowledge dissemination.

Financial Management Practices: Most staff (62.5%) indicated that regular audits are conducted, while 25% mentioned budget reviews as a financial management practice. A small minority (12.5%) noted the absence of formal practices, highlighting a potential gap in financial oversight.

Incidence of Misconduct: Only 25% of staff reported witnessing financial misconduct. The majority (75%) had not experienced such issues, suggesting a generally positive environment but warranting caution and vigilance.

Reporting Mechanisms: Effectiveness ratings for reporting mechanisms varied, with 25% deeming them very effective, 50% effective, and 25% ineffective. This shows a need for strengthening these mechanisms.

Training and Capacity Building: A majority (62.5%) had received some form of training on financial management and governance, indicating a proactive approach to capacity building, though 37.5% had not.

Suggestions for Improvement: A significant number (75%) suggested increasing training opportunities, while 25% emphasized the need for stronger reporting mechanisms to enhance financial oversight.

2. Board Members (30 Respondents):

Governance Structure: Responses indicated a generally strong governance structure, with 90% rating it as either strong (40%) or moderate (50%). However, 10% rated it as weak, highlighting potential areas for improvement.

Financial Oversight Mechanisms: The majority (66.7%) emphasized the importance of regular financial reviews, while 33.3% supported external audits as vital oversight measures.

Accountability Measures: Most board members (60%) indicated the use of monthly reports to ensure accountability, while 40% preferred annual reviews, showing a need for more frequent monitoring.

Stakeholder Engagement: Half of the board members reported regular engagement with stakeholders, while 33.3% engaged occasionally and 16.7% rarely. This suggests a potential gap in communication with stakeholders.

Evaluation of Financial Policies: A significant number (66.7%) conduct annual evaluations of financial policies, while 33.3% do so biannually, indicating a proactive approach to policy review.

Recommendations: The majority (60%) recommended enhancing training for board members, and 40% suggested improving communication with staff for better governance.

3. Donors and Funding Agencies (20 Respondents)

Funding Criteria: Transparency in operations was the primary criterion for 75% of respondents, while 25% considered previous performance as a key factor for funding decisions.

Financial Accountability Expectations: An overwhelming 90% of donors expected strict accountability from the NGOs they fund, emphasizing the importance of financial governance.

Monitoring Mechanisms: Most (60%) reported conducting regular audits, while 40% performed occasional reviews, indicating a robust monitoring approach.

Incidents of Misconduct: 25% had withdrawn funding due to financial misconduct, while 75% had not encountered such issues, demonstrating the consequences of misconduct on funding relationships.

Communication with NGOs: A strong majority (80%) felt that communication regarding financial governance expectations was clear, suggesting a constructive relationship between donors and NGOs.

Suggestions for NGOs: 70% suggested improving financial transparency, while 30% recommended increasing stakeholder engagement to bolster governance.

4. Beneficiaries (10 Respondents):

Awareness of NGO Operations: Awareness levels varied, with 80% of beneficiaries being at least somewhat aware of NGO operations. However, only 20% felt very aware, indicating a need for better communication.

Impact of Financial Misconduct: A majority (60%) believed financial misconduct significantly impacted beneficiaries, highlighting the necessity for accountability in NGO operations.

Feedback Mechanisms: 40% found it easy to provide feedback, while 60% indicated difficulty, suggesting barriers to effective communication between beneficiaries and NGOs.

Trust in NGO: Trust levels varied, with 50% expressing high trust, 40% moderate trust, and 10% low trust in the NGO's financial management, indicating a mixed perception.

Expectations from NGOs: A strong majority (80%) expected high transparency, underscoring the demand for clear financial practices.

Suggestions for Improvement: 70% suggested that NGOs need more transparency, while 50% recommended regular community meetings to enhance engagement.

Discussion: This study pointed out the essential function of governance in alleviating financial malfeasance among NGOs in Bangladesh. The findings indicate that although NGO workers possess awareness of governance principles, substantial deficiencies persist in training and the efficacy of reporting channels. For example, merely 37.5% of personnel indicated a strong familiarity with governance policies, while 25% considered the reporting procedures to be poor. The results corroborate Mwangi's (2014) findings, which highlighted the significance of financial accountability in improving organisational efficiency. Enhancing training programs can equip personnel with the requisite information to maintain governance standards.

Board members indicated a predominantly robust governance framework, with 90% assessing it as either strong or moderate. The inconsistent frequency of stakeholder interaction indicates a necessity for more regular communication. Ogeh Fiador (2013) asserts that effective governance relies on active stakeholder engagement, which can improve accountability and transparency. The board's dependence on monthly reports (60%) signifies a proactive monitoring strategy; nonetheless, this practice necessitates augmentation by regular assessments of financial policies, as emphasised by Bellante et al. (2018).

Donors are crucial in establishing financial governance via their funding criteria. Ninety percent of donors want stringent accountability, corroborating Kim's (2003) findings that donor expectations can profoundly impact NGO finance practices. Regular audits, as indicated by 60% of donors, are essential for upholding financial integrity. The loss of funds due to misbehaviour (25%) highlights the critical necessity for NGOs to emphasise open financial processes to maintain donor trust.

Beneficiaries emphasised the considerable effect of financial wrongdoing on their faith in NGOs, with 60% indicating that they feel such misconduct influences their communities. This corresponds with Kumar's (2013) claim that governance directly affects public trust in non-profit organisations. The estimated poor confidence levels among 10% of recipients indicate the necessity for NGOs to improve their openness and accountability practices. The study highlights the interrelation of governance, financial oversight, and stakeholder involvement. Establishing a robust governance framework that integrates best practices and innovative strategies is crucial for mitigating financial wrongdoing. Ortega-Rodríguez et al. (2024) assert that efficient governance procedures increase accountability and cultivate a culture of honesty inside organisations. By emphasising training, refining reporting systems, and augmenting stakeholder engagement, NGOs can substantially reduce financial risks and strengthen their reputation with both funders and beneficiaries.

Managerial Implications: This study's findings present multiple management implications for NGOs in Bangladesh. Initially, it is imperative to augment training programs for personnel and board members. Investing in comprehensive governance training enables organisations to ensure that all stakeholders comprehend their roles and duties in financial oversight. This corresponds with the best practices advocated by Mwangi (2014), highlighting financial accountability as a fundamental element of operational efficiency.
Secondly, NGOs ought to prioritise the establishment and execution of efficient reporting processes. Creating explicit and accessible avenues for reporting misconduct helps cultivate a culture of transparency and trust. The differing assessments of success among personnel indicate the need for a more robust structure that promotes open communication (Ogeh Fiador, 2013). Frequent evaluations of these systems will facilitate the identification of areas for enhancement.

Third, cultivating robust relationships with contributors is crucial. In light of the demand for rigorous accountability, NGOs are required to uphold transparent financial practices to establish and preserve donor trust. This entails compliance with auditing requirements and proactive communication of financial performance and issues. By doing so, NGOs may enhance their credibility and ensure sustained funding.
Ultimately, involving beneficiaries in the governance process helps augment trust and accountability. Consistent community meetings and feedback systems can empower beneficiaries and amplify their perspectives, hence enhancing the NGO's effectiveness (Kumar, 2013). This inclusive strategy can cultivate a sense of ownership and accountability among all stakeholders.

Conclusion: This study highlights the essential function of governance in mitigating financial malfeasance inside NGOs in Bangladesh. The findings indicate substantial deficiencies in training, reporting systems, and stakeholder involvement that require rectification to improve financial integrity. Through the implementation of focused policies emphasising capacity building, transparency, and community engagement, NGOs may establish a resilient governance structure that mitigates financial risks.

The implications for management practice are evident: investing in governance training, enhancing reporting systems, and cultivating connections with donors and beneficiaries are vital measures for developing a more accountable and effective NGO sector. As NGOs confront the intricacies of funding and accountability, using these tactics will not only reduce misconduct but also improve their overall efficacy and standing among the community. This strategy ultimately enhances the sustainability and efficacy of non-profit organisations in Bangladesh, enabling them to achieve their missions effectively and ethically.

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Appendix:

Questionnaire for Research on Governance in NGOs:

1. NGO Staff (40 Respondents):

Demographics

- Age:
- Gender:
- Position in the organization:
- Years of experience in the NGO sector:

Questions:

1. **Governance Awareness:**
   - How familiar are you with the governance policies and procedures in your organization? (Very familiar, Somewhat familiar, Not familiar)
2. **Financial Management Practices:**
   - What financial management practices are currently in place? Please describe them.
3. **Incidence of Misconduct:**

   - Have you witnessed any instances of financial misconduct in your organization? If yes, please elaborate.
4. **Reporting Mechanisms:**
   - How effective are the reporting mechanisms for financial misconduct in your organization? (Very effective, Effective, Ineffective)
5. **Training and Capacity Building:**
   - What type of training has been provided to you regarding financial management and governance?
6. **Suggestions for Improvement:**
   - What improvements would you suggest to enhance financial oversight in your organization?

2. Board Members (30 Respondents):
Demographics:
- Age:
- Gender:
- Position in the board:
- Years of service on the board:

Questions:
1. **Governance Structure:**
   - How would you describe the governance structure of your NGO?
2. **Financial Oversight:**
   - What financial oversight mechanisms do you believe are crucial for reducing misconduct?
3. **Accountability Measures:**
   - How does your board ensure accountability in financial practices?
4. **Stakeholder Engagement:**
   - How often does the board engage with stakeholders regarding financial governance? (Regularly, Occasionally, Rarely)
5. **Evaluation of Financial Policies:**
   - How often does the board evaluate financial policies and practices?
6. **Recommendations:**
   - What additional measures do you recommend to improve governance and reduce financial misconduct?

3. Donors and Funding Agencies (20 Respondents):
Demographics:
- Organization Name:
- Position:
- Years of experience in funding NGOs:

Questions
1. **Funding Criteria:**
   - What criteria do you consider when providing funding to NGOs?

2. **Financial Accountability Expectations:**
    - What expectations do you have regarding financial accountability from the NGOs you fund?
3. **Monitoring Mechanisms:**
    - How do you monitor the financial practices of the NGOs you support?
4. **Incidents of Misconduct:**
    - Have you ever withdrawn funding due to financial misconduct? If yes, please share your experience.
5. **Communication with NGOs:**
    - How do you communicate your financial governance expectations to the NGOs?
6. **Suggestions for NGOs:**
    - What suggestions do you have for NGOs to improve their financial governance and accountability?

4. Beneficiaries (10 Respondents):

Demographics:

- Age
- Gender
- Community affiliation
- Duration of engagement with the NGO

Questions:

1. **Awareness of NGO Operations:**
    - How aware are you of the financial operations of the NGO you are involved with? (Very aware, Somewhat aware, Not aware)
2. **Impact of Financial Misconduct:**
    - How do you think financial misconduct in NGOs affects beneficiaries like yourself?
3. **Feedback Mechanisms:**
    - How easy is it for you to provide feedback or report concerns about the NGO's financial practices?
4. **Trust in NGO:**
    - How much trust do you have in the financial management of the NGO? (High trust, Moderate trust, Low trust)
5. **Expectations from NGOs:**
    - What are your expectations regarding transparency and accountability from the NGOs?
6. **Suggestions for Improvement:**
    - What improvements would you suggest for NGOs to better serve beneficiaries like you?