

# NON-PROFIT ORGANISATIONS AND SOCIO-ECONOMIC DEVELOPMENT IN SOUTH AFRICA: A LITERATURE ANALYSIS

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#### Abstract

**Purpose of the study:** This paper is an analysis of the role of NPOs in addressing the challenges of society and communities they operate in. This is with the intention to understand the value of a non-profit organization to any society and their significant contribution to socio-economic development.

**Methodology:** In order to carry out this analysis, the researchers adopted a systematic literature review, relying prominently on secondary data.

**Main Findings:** This review highlights a number of very important lessons. Firstly, non-profit organizations are involved in a range of activities such as health and wellness, socialization, and education. Secondly, they assist governments to reach out to citizens who may not easily access government services. Thirdly, sustaining non-profit organizations is vital to any economy owing to the diverse range of essential goods and services they offer. This review also notes that more research needs to take place to further unpack the place of non-profit organizations in South Africa.

**Applications of this study:** This review can be beneficial to Non-Profit Organisations, the Government, and the funders who support these NPOs. An understanding of the significance of NPOs in socio-economic development will be helpful in developing policies and support mechanisms that will necessitate their existence, continuously deliver social value and contribute to socio-economic development.

**Novelty/Originality of this study:** The authors confirm that this is the first known literature review of its kind especially with reference to South Africa and therefore, accomplishing such an arduous task required a careful assembly of pertinent reference materials. Our position is that if who and what non-profit organizations have become clearer, issues of sustainability - marketing, finance, government/private sector relations - will be better understood.

**Keywords:** Non-Profit Organisation, Socio-economic Development, South Africa, Social Value Creation, Social Support, Sustainability.

# INTRODUCTION

It is argued that non-profit organisations (NPOs) struggle to remain in operation for long due to a number of factors (Weerawardena, McDonald & Mort, 2010; Omura & Foster, 2014). It is equally argued that given their struggle to remain in existence, much of their work is temporary or at best short term leaving critics to conclude that they may not be necessarily adding value to a nation's socio-economic development especially in sub-Saharan Africa. Despite these age-long criticisms that non-profit organisations struggle with sustainability challenges, that is they are short-lived and therefore their impact is not that discernible, there is no doubt that they do play a role in the socio-economic development of a nation. Non-profit organisations are acknowledged as the main drivers of social support and the promotion of good behaviour in society (Omura & Forster, 2014). Weerawardena et al (2010) agree that non-profit organisations provide critical services to the society through social value creation, as well as focusing on the gaps in the society that are not addressed by corporate or governmental sectors (Wright, 2015). They help eradicate poverty, a global pressing challenge emanating from changes in infrastructure, technology, economy and social sphere. These changes have inadvertently led to the increased yearning for and the development of various mechanisms for survival. Often, these mechanisms are found in the form of social support and development (Omura & Forster, 2014).

Statistics SA (2011) has long recognised the vital contributions of South African NPOs in improving economic statistics and aiding in decision-making for policymakers, businesses and civic leaders. NPOs include non-governmental organisations (NGOs), faith-based organisations (FBOs) and community-based organisations (CBOs), social or sports clubs and other development and social organisations whose focus is on society's community issues (Statistics SA, 2011). NPOs engage in a varied range of activities and take different forms in diverse parts of the world. Some of these organisations are political ambassadors, religious, humanitarian and healthcare providers. They provide social services to the community free of charge and are established for the public (Omura & Foster, 2014). One of the important roles that NPOs play in South Africa is to support the government to fulfil its statutory obligations (Wyngaard, 2013). In the National Development Plan (NDP) (2011), it is also noted that all the provinces in South Africa rely heavily on NPOs to deliver services.

Despite the significant role that NPOs play, they are yet to attract as much research attention as the for-profit organisations especially with regard to how NPOs can sufficiently sustain themselves (<u>Kyalimpa, 2013</u>, <u>Weerawardena et al, 2010</u>; <u>Pope, Isely & Tutu, 2009</u>; <u>Andreasen & Kotler, 2003</u>; <u>Smith & Saker, 1992</u>; <u>Padanyi & Gainer, 2004</u>;



Izquierdo & Samaniego, 2007). The lacuna in research is even much more evident in sub-Saharan Africa (du Plessis & Petzer, 2011; Kareithi & Lund, 2012; Moshabela, Gitomer, Qhibi & Schneider; 2013; Holtzhausen, 2013; Iwu, Kapondoro, Darko & Tengeh, 2015; Karikari, Cobham & Ndams, 2016). These scholars have presented the attitude of donors towards NPOs (du Plessis & Petzer, 2011), advocated for increased research on factors influencing NGO performance (Kareithi & Lund, 2012), emphasised the need for NPOs in rural areas (Moshabela, Gitomer, Qhibi & Schneider, 2013), the importance of managing corporate identity in NPOs to fulfil their role in the society (Holtzhausen, 2013), weighed in on the sustainability and organisational effectiveness of NPOs (Iwu et al., 2015), as well as assessed the contributions of NPOs to the development of neuroscience in Africa (Karikari, Cobham & Ndams, 2016).

What we find missing from published works is a critical synthesis of the concept of NPOs, their purpose, and justification for their existence. We argue that given their critical role in socio-economic development, the scholarly contribution should explore the significance of supporting these organisations in order to provide sustainable services and to continue contributing towards social development. Although we are familiar with some studies which have addressed related topics (for instance Hansmann, 1980; O'Hagan & Purdy, 1993; NPO Act, 1997; Salamon, & Anheier, 1997; Anheier, 2000, Anheier, 2005, Mittila, 2003), limited generalizable results exist, more so, the necessity of studies focusing on South Africa has been recently highlighted (see Iwu et al., 2015; Maboya, 2016; and Bezuidenhout, 2017). This is the gap which this paper wishes to close by undertaking a wholesome review of what NPOs stand for, their varying characterizations and roles in socio-economic development. This will no doubt provide a clearer picture of the need for NPOs to be supported.

The rest of the paper is structured as follows: the next section describes the methodology used in putting this paper together. This will be followed by a definition of NPOs, the different types of NPOs, their role in socio-economic development and the criticisms against NPOs. All the points raised in these sections are discussed culminating in our concluding thoughts and recommendations.

#### LITERATURE REVIEW

# 1. What is a Non-Profit Organisation?

The term NPO is a broad concept that is understood and described differently by diverse entities and as such various terms have been used to describe it. These include civil society, trusts, foundations, charities, voluntary associations, advocacy groups, philanthropy groups, non-governmental organisations among others (Smith, Stebbins & Dover, 2006). Often, NPOs are contextually characterised thus: organisational (structural), functional, and people-centric.

With respect to the organisational centric view, an NPO is described as a trust, company or organisation established for a public purpose and the income received is not distributed to members or employees of the organisation (<u>Lewis, 2010</u>; <u>Kearns; 2017</u>, and <u>Non-Profit Organisations Act 1997</u>).

The functional view maintains that NPOs functions vary owing to the size and the type of value they bring to society (Morris, Kuratko & Covin, 2008). Nonetheless, they are established with the main purpose of organising and overseeing voluntary social action directed at humanitarian problem-solving (Mokwa 1999; Tabaku & Mersini, 2013). Their operations are for non-financial objectives to generate a social benefit for a specific sector or society (Gonzalez, Vijande, & Casielles, 2002:56). Similarly, Smith, Stebbins & Dover (2006: 158) concur that NPOs are regularly committed to a particular social cause or advocating for a certain point of view whilst obtaining a non-distributable income, income generated is often used to further their mission.

The people-centric aspect view NPOs as entities that are established to be accountable, trustworthy, open and honest to every person who they serve and has invested time, money, and faith into the organisation (Frasier, 2008), they value relationships more than anything (Abraham, 2006). Tabaku & Mersini (2013:79) further explained that there is no acceptable definition for describing a non-profit organisation; however, there are some inimitable characteristics, which distinguish NPOs from other organisations. These include:

Mission Driven: Kanter & Summers (1987) and Tabaku & Mersini (2013:80) argue that the mission of an NPO is normally built around the service they provide. In the same view, the Southern Early Childhood Association presents that non-profit organisations are structured around a mission whose importance is central to their work. According to Hasenfeld (2015), non-profit organisations are bound by the shared mission to meet the social needs of vulnerable populations. Their objectives are to fulfil a social mission through the different activities and projects they implement (Kitonga, 2017:11).

Non-financial objective: Apart from being mission-driven, NPOs operate for non-monetary benefit; their profits are not dispersed among staff or anyone with a beneficial interest in the organisation (Courtney, 2002). Similarly, Vasigh, Fleming, &Mackay (2010:19) concur that NPOs pursue a specified goal without the intention of giving out excess revenue to members or leaders. Gonzalez et al. (2002) agree that NPOs operate without a financial objective for the benefit of the society. Adding on, Swilling & Russell (2002:7) described NPOs as "private, self-governing, voluntary, non-profit distributing organisations operating, not for commercial purposes but in the public interest, for the promotion of social welfare and development, religion, charity, education, and research".



**Performing public tasks:** NPOs also perform public tasks that are in high demand which the state or the for-profit sector can neither fulfil, normally these tasks are delegated to them by the state (Macedo & Pinho, 2006). They embark on and promote activities, initiatives that are beneficial to the public (Salamon, 1999). Rosenthal (2012:3) concurs that NPOs are created to advance a purpose in the public interest and address a social need. Market research, therefore, becomes imperative for NPOs to be able to identify these social needs.

*Multiple stakeholders:* The NPO sector is a sphere or associations of organisations positioned among the household, the state, and the prevailing economic system, in which people with common interests associate voluntarily (Civicus, 2002:3). Considering the nature of their operations, servicing different communities, NPOs interact with multiple stakeholders, which include the people they serve, funders, government agencies, board members, volunteers, staff and other service providers (DSD, 2009).

*Inter-organisational relationships:* As a result of the interactions with multiple stakeholders, NPOs form interorganisational relationships. The organisations and the people working in the sector are often tightly networked with others. Networks can be in the form of collaborative projects, mutual funding sources or servicing the same clientele. NPOs are thus normally closely linked and regularly in contact with people doing similar work. According to <u>Abraham (2006)</u>, these NPOs value informal relationships, voluntary participation and strive to maintain these relationships.

Limited resources and dependency on donor funding: Many NPOs operate with limited financial resources, they rely on grants and donations to cover their operational costs. Mazibuko (2013) presented that NPOs depend mostly on donor funding to perform their tasks and these donations may come from local and foreign governments, individuals, foundations or businesses in the form of Corporate Social Investments (CSIs). The resource dependence theory (RDT) also presents that organisations are not able to generate all the required resources, therefore, the need to depend on external relationships (Arshad, Bakar, Sakri & Omar, 2013:210).

Over the years, there has been an increase in the number of NPOs globally which has resulted in increased demand for donor funding, (Behn, DeVries & Lin, 2010; Zainon, Atan, Wah & Nam, 2011), however, there is no proportionate increase in resources available to NPOs (Mishra, Biswas & Roy, 2005). As a result, many NPOs are faced with resource scarcity in varying degrees and proportions (Balabanis, Stables & Phillips, 1997). More so the uncertain and irregular funding makes it difficult for NPOs to plan for the long term, improve their services and build sustainability. The ability to secure resources is now dependent on how well an NPO can compete with other organisations and how good it can explore other options to source resources (Batti, 2014:57), as well as how well is the relationship between the NPO and the funding source (Mazibuko, 2013). Modi (2011) concludes that market orientation is vital for attracting resources in NPOs.

Even though many scholars have come up with different definitions and characteristics for NPOs, the non-financial objective aspect and the mission of delivering social benefits remain consistent. This paper thus adopts the following definition:

'NPOs are civil society organisations that vary from community and faith-based organisations, non-governmental organisations, charities (welfare), traditional organisations, other development and social forms of organisations working tirelessly, free of charge to deliver social value' (DSD, 2015:6).

# 2. Historical background to the emergence of NPOs in South Africa

The apartheid era in South Africa exposed African people to discrimination and oppression. The government created under the first constitution in 1910 generated a lot of inequality (Jagwanth, 2003). Policies developed during this era in 1948 favoured the white population who were already wealthy (Kumaran et al., 2012:34). As a result, NPOs emerged in response to the inequalities created by apartheid. NPOs provided social services to the alienated population. For instance, particularly in healthcare, NPOs played a role in reaching those people deprived of access to healthcare services by the apartheid government. According to Mazibuko (2013), the late Steve Biko and Dr. Mamphela built a health facility in the Eastern Cape to provide healthcare services during apartheid. Mobile clinics were also introduced through an NPO project called Black People Convention in order to provide for poor communities (Mazibuko, 2013).

The shift from apartheid which began in 1990, made the newly elected government acknowledge the role of NPOs and introduced policies to support their development; however, the policies did not materialise as anticipated (<u>Jagwanth</u>, <u>2003</u>; <u>van Pletezen et al. 2013</u>). NPOs still faced hostility from the state officials who were reluctant to adapt to the development of the civil society.

According to <u>Heinrich (2001)</u>, after the apartheid period, South Africa experienced an identity crisis; the government was liable for the role of providing for the entire population with resources and services (<u>Deegan, 1999</u>). However, the government could not effectively carry out this role as there were numerous matters to be dealt with in the early post-apartheid days. The government began to initiate partnerships with NPOs to cater for the needs and provide resources to citizens that could not be reached by the government (<u>Kumaran et al, 2012</u>; <u>Deegan, 1999</u>).

<u>Kumaran et al. (2012)</u> maintain that some NGOs failed to adapt to the change and discontinued their services whilst some were quick to transition to the new working relationship with the government. The partnership led to the formation



of three groups in the sector, which are NPOs operating in partnership with the state to provide services on behalf of the state, NPOs operating locally within marginalised communities, and NPOs operating to affect policy change at the state level.

After the democratic elections in 1994, the NPO sector remained in chaos as it sought to redefine its relationships with the state, defining its roles, strategies, and identity in the newly established democratic structures (Weideman, 2015). More so, the elected government absorbed the skilled and experienced staff, especially those in management positions; leaving the sector with less experienced staff. This resulted in a contraction of the sector and forced a scale down (Weideman, 2015).

Even though the sector gradually improved in the late 1990s, it remained smaller, less functioning and disjointed than it had been in the 1980s (Weideman, 2015). Only those NPOs with the ability to cope with governmental bodies, with the capability to comply with reporting, accountability, and monitoring and evaluation requirements of the donor sector survived (Weideman, 2015). In the early 2000s when the ruling government implemented the Growth Employment and Redistribution (GEAR) policy, it further led to increases in inequality and poverty in South Africa. Furthermore, the global economic crisis in 2008 resulted in a further decline in donor funding (Weideman, 2015). According to the Global Journal (2013), there are about 10 million NPOs/ NGOs globally, out of which 153 667 exist in South Africa (Mazibuko, 2013).

#### 3. The role of Non-Profit Organisations in socio-economic development

Socio-economic development cannot be discussed in isolation of socio-economic issues or challenges (<u>Modise, 2018</u>; <u>Schoeman, 2011</u>). Even after gaining democracy South Africa still battles with, unemployment, poverty, inequality, hunger and social injustice (<u>van der Westhuizen & Swart, 2015</u>). <u>Ipsos (2014</u>) further identified crime among the major socio-economic issues South Africa grapples with.

The role of NPOs in addressing these socio-economic development and transformation challenges has been remarkable. Globally, NPOs play a valuable role, with the potential of rectifying various socio-economic issues, market failures and provision of public goods and services that are not provided by the state (Edwards, 2013:1). They are acknowledged as the main driver for social support and promoting good behaviour in the society (Omura & Forster, 2014:255). Weerawardena et al (2010:346), agree that nonprofit organisations provide critical services and contribute to the society through social value creation; they focus on the gap in the society that is not addressed by corporate or governmental sectors (Wright, 2015:1). In South Africa, NPOs play a vital role in improving economic statistics and aid in decision-making for policymakers, businesses and civic leaders (Statistics SA, 2011:1). They play a critical role in advancing community development and protecting citizens from dehumanising experience and circumstances (DSD, Strategic Plan, 2015:7). Some of the importance of NPOs includes:

#### 3.1 Employment Creation

Berg (2013), acknowledges NPOs as providers of steady employment. They require specialised personnel to smoothly run their day-to-day operations with goods and services such as computers, internet services, utilities, and phones in order to generate revenue for the supplying companies. NPOs empower communities, they create employment and access to employment opportunities in communities they are established (Berg, 2013; Weyers, 2011). Suresh (2013), added that not all people employed by NPOs are volunteers because many of them also have paid staff even though they receive lower pay compared to the commercial private sector. In addition, NPOs employ students during their vacation, which necessitate skills development and experience. According to Swilling and Russell (2002), the NPO sector employs more people compared to other major sectors in the economy. The International Labour Organization (2013) reported that globally about 197 million people are unemployed. In the third quarter of 2019, South Africa's unemployment rate increased by 0.1% to bring the rate to 29.1% with the highest rate recorded among the youth (Statistics SA, 2019). The findings of Salamon, Sokolowski, Haddock, & Tice (2013) suggest that globally the NPO sector employs 10% or more of the workforce, making them one of the largest employers of any industry. In South Africa, the NPO sector employs more people compared to other sectors like government, transport, construction, and financial services (Habib, 2002). The South African NPO sector provides over a million employment opportunities which include both paid and unpaid (Dlamini, 2019). Thus, NPOs contribute immensely to reducing unemployment levels.

# 3.2 Poverty and inequality alleviation

According to <u>Van der Westhuizen & Swart (2015)</u>, <u>Cilliers & Aucoin (2016)</u> more than 20% (10.2 million) of the population in South Africa live in extreme poverty whilst 28 million people in South Africa are poor (earning income below R779 per person per month). Owing to this, the national government considers combating poverty as a national priority, evident with 60% of the government expenditure allocated towards social grants (<u>Schoeman, 2011</u>). Poverty has been South Africa's primary concern since 1994 (<u>Schoeman, 2011</u>).

Poverty emanates from the unequal distribution of resources, and a lack of access to, material and non-material resources (Schoeman, 2011). NPOs play a significant role in reducing poverty by reaching the poorer population that remains unserved and attempting to widen access to public resources. Kyalimpa (2013:2) agrees that governments in Africa are faced with limited capacity and resources to deliver services needed by the public, therefore NPOs play an important role



in closing this gap. The National Treasury Provincial Budgets and Expenditure Review 2010/11 – 2016/17 (2015:103), reported that, in South Africa, a number of measures have been introduced to remove discrimination, however, immense inequities continue to mark the socioeconomic landscape especially in rural areas. The review further commends the works of NPOs and proposes cementing of the relationship between government and viable NPOs in order to strengthen the capacity of service delivery and reducing these inequalities.

Herlin&Pazirandeh (2011:411) prove that NPOs have contributed to cross-sector collaboration between companies and NPOs through Public Private Partnership which has resulted in an increasing number of initiatives carried out to reduce market and public failures, particularly in the global public health sector. Buse and Waxman (2001) agree that these partnerships introduce major resources that can benefit large populations of beneficiaries serviced by NPOs.

#### 3.3 Provision of public services and goods

Globally, Miraftab (1997); Kilby, (2006) and Albareda (2008) noted that the state has withdrawn some of its services but instead subcontracting to the private sector. In South Africa, this is evident with the emergence of Public-Private Partnerships (PPP) that have sprung up. The apartheid-era has also resulted in service gaps to the poor with limited public services provision from the state due to limited financial resources thereby escalating the inequality gaps (Salamon, 1999; Gray, 2006; Lehman, 2007). According to the National Treasury Provincial Budgets and Expenditure Review 2010/11 – 2016/17 (2015:99), NPOs are the main distribution arm of public welfare services such that the social development sector relies greatly on them for service delivery. They provide better services and goods compared to those provided by the public sector. Ciucescu & Alecsandri (2009:15) maintain that there is an increasing demand for public services, therefore expanding the need for diversified services provided by NPOs.

# 3.4 Provision of better goods and services

<u>Ciucescu & Alecsandri (2009:16)</u> are of the view that NPOs provide better goods and services as compared to the ones provided by the public sector. More so, NPOs have less bureaucratic administrative structure and the presence of volunteers enables them to respond to issues faster and to produce goods and services at a lower cost.

#### 3.5 Social responsibility and improvement of society

<u>Vidal & Torres (2005:7)</u> presented that increasing complexity in the society has led to the emergence of diverse organisations that coexist and work together for the betterment of the community. NPOs contribute to the development of the community through the upliftment of human race (<u>Singh & Bodhaya, 2014</u>). NPOs bring solutions to urgent social problems by committing to bringing about innovation for the betterment of the society including the improvement of the quality of life for communities. According to <u>Ciucescu & Alecsandri (2009:14</u>), the development of the society is achieved when NPOs efficiently mobilise resources as well as tangible solutions at a lesser cost to those community problems, which the government cannot reach. Consistency in NPOs missions and values results in social development (Vidal & Torres, 2005:12).

# 3.6 Supporting the strengthening of social systems

NPOs support the government and the funders to advance more development strategy through strengthening the institutions, increasing the level of skills of their employees, training their staff to acquire good management capacity(Ciucescu & Alecsandri, 2009:15). They support the strengthening of social systems, by giving citizens the opportunity to influence public policies, to criticize and to keep track of government policy. Oosthuizen (2014) concurs that NPOs often support the weak or failing government services and this is critical for the continued growth of the country socially and economically.

#### 3.7 Research and information source

<u>Anbazhagan& Surekha (2017:20)</u> affirm that NPOs can also act as a source of information that can be utilised in the development and formulation of national policies. NPOs can present an economy needs based on their direct contact and interactions with different communities they serve. According to <u>Issaka & Issaka (2016</u>), NPOs conceptualise and formulate projects that respond to communities' particular needs and constraints. More so, NPOs contribute to all stages of research, which include promoting the significance and usefulness of the research, priority setting, and knowledge conversion to action(<u>Anbazhagan& Surekha, 2017:21</u>). In South Africa, some NPOs have been established specifically for carrying out research and some in the healthcare sector have formed partnerships with universities for research purposes, for example, the Desmond Tutu TB and HIV Centre.

## 4. Criticisms against NPOs

Even though NPOs are recognised for the benefits and value that they create in the economy and societies they operate in as noted above, there are some criticisms that are associated with them (<u>Matthews, 2017</u>; <u>Anbazhagan& Surekha, 2017</u>).



#### 4.1 Dominance of International Power:

The society has lost faith in the services provided by the state and the government is mostly viewed as corrupt. This has caused a major shift in funding development in Africa especially with donors channelling international funds through NPOs rather than through the state (Chege, 1999:6). The power of the state has become limited as international players take dominance (Matthews, 2017). Limited power of the state places African people at the mercy of donors and increases dependence on donor funds.

# 4.2 Focusing on technical solution

According to Matthews (2017), NPOs focus on bringing technical solution to poverty rather than addressing the original issues. They bring a product or service to address an issue without getting to the root of the problem. For instance, the provision of food supplies to the community without addressing the root cause of insufficient food in these communities. In other words, NPOs are rather reactive; they act as relief aiders instead of being solution providers.

## 4.3 Accountability to funders than the people they serve

NPOs have now shifted to be more accountable to their funders than the people they serve due to high dependence on donor funding which has resulted in projects, and services offered being designed according to the donor preferences instead of the beneficiaries (Matthews, 2017). The concentration and accountability to the funders has resulted in servicing of short impacts rather than the critical needs of the people they serve (Suresh, 2013). More so, changes in the funding landscape has incited demand for more financial transparency and good governance in NPOs (Aschari-Lincoln & Jager, 2016). NPOs now need to continuously adhere to tedious reporting rules to remain legitimate and credible in the eyes of the donors. The focus has greatly shifted towards impressing the donors and being obliged to serve the donor's mandate (Hershey, 2013), rather than the people.

#### 4.4 Employment offered to the elite

<u>Matthews (2017)</u> presented that NPOs offer jobs to foreigners and local elite who are qualified in specific studies like development studies, and this does not offer empowerment to the local population. Mostly NPOs provide services to poorer community and in these communities, the number of people who have had the opportunity to receive full education is minimum.

#### 4.5 Narrowly focused programs and competition

<u>Anbazhagan& Surekha (2017:19)</u> are of the view that NPO programs are usually focused on a specific area or problem and overlooking or giving little attention to other areas that may be in dire need of the NPO intervention. This is due to some intervention or problems being more marketable to the donors that the others. More so, NPOs may compete and not coordinate actions with similar NPOs and country programs pursuing the same mission (<u>Anbazhagan& Surekha, 2017:19</u>).

# 4.6 Non-verifiable quality

NPOs provide services and deliver goods to deprived populations that make available little or no feedback on the quality of the services or goods provided (Werker & Ahmed, 2008). These populations are in dire need of the NPO assistance and are not at liberty to choose as compared to a normal setting whereby one can choose to buy or not to buy a service or product from a certain supplier. Generally, the NPO target market will settle for what has been made available to them.

#### METHODOLOGY

This paper was written using a systematic literature review method. We relied on this method because of its capacity for discerning previous research that closely aligns to themes of a research project. Using this method, we defined three basic research questions we wanted to address with our analysis. This was followed by searching for the relevant articles related to the identified research questions using a number of academic journals focusing on non-profit research including the International Journal of Voluntary and Nonprofit Organisations, Nonprofit and Voluntary Sector Quarterly among others. We deduced keywords for this search. Thus, in this case, with the utility of keywords, we were able to decipher necessary secondary data which helped to form the thesis of the study. From this search, we only considered articles dealing with NPO significance, socioeconomic development, social support, and social value creation. By doing so, we derived a construed and substantive demonstration of the need to continue to research NPO significance in society; and NPO sustainability especially considering the new insights into NPO challenges and criticisms.

Our choice of method conforms with the research designs of <u>Dey (2005)</u> and <u>Mogalakwe (2006)</u>. For effect, we consulted widely including technical reports, and scientific publications notwithstanding <u>Podsakoff, MacKenzie, Bachrach & Podsakoff, (2005)</u> view that the only recognizable science can only be found in journal articles. This claim has recently been perforated by some scientists (see <u>Suter, 2013; Rallison, 2015; Palmatier, Houston & Hulland, 2018; Johnson, Watkinson & Mabe, 2018; <u>Daldrup-Link, 2018</u>) who doubt the authenticity of the so-called published papers citing irregularities in publishing standards and regular detraction of articles from published volumes.</u>



Also, adopting the counsel of <u>Dewey& Drahote (2016)</u>, we were able to utilise this approach to formulate three key questions:

- 1. What is a Non-Profit Organisation? This was with the intention of formulating the basis of what their role in socio-economic development is.
- 2. What is the role of NPOs in socioeconomic development? This helped to uncover and present the significance and value of investing in NPOs?

Having identified the key questions, we located the articles related to our main themes. Basically, we selected and analysed the selected articles and were also able to draw conclusions and implications in relation to our key questions and identified areas for future research.

# DISCUSSION

Funding and support for NPOs remain unpredictable, making it challenging for NPOs to continue their contribution towards socio-economic development. The lack of funding and support to sustain NPOs mission and operations has threatened their existence and continuity leading many NPOs to scale down on their operations (Bose, 2015). Some are driven into liquidation (NGO Pulse, 2012), whilst some compromise on the quality of services or labour force. This does not only affect the NPO but also impact on a number of other people in the society which include the employees of the NPOs, communities and populations who were benefiting from the NPO services. In order to scale down and reduce the financial burden to the organisations, some NPOs resort to employing less qualified staff. This compromise has resulted in NPOs inability to effectively communicate their mission, purpose, and their successes, which has resulted in poor visibility of the organisation (Batti, 2014). A consequence of this is that NPOs struggle to acquire essential resources, as funders are not aware of the existence of the organisation within the area, sector or country. More so, when the NPO scales down or endsits operations, it means that the people who were employed by the NPOs become unemployed. This also means that their source of income and means of survival arecut out, which in turn increases the unemployment rate in the economy. In addition to the employees, the NPOs communities and populations who were benefiting from the NPO suffer immensely when the provisions and services of the NPOs are withdrawn from their communities. This further compromises their contribution to socio-economic development.

#### CONCLUSION

In this paper, we examined the concept of non-profit organisations. We looked at the characteristics that distinguish NPOs from other organisations. The paper further looked at different types of NPOs. This paper has also examined the role that these organisations play in the society. In order to effectively analyse the value add to the society, the paper also looked at the criticisms against NPOs. Even though there are criticisms against NPOs, there is no doubt that NPOs play an important role in socio-economic development. The role that NPOs play in socio-economic development cannot be overlooked; they help address the most pressing problem of unemployment facing many nations including South Africa. They also inform the development of policies towards social development as well as promote good behaviour in the society through engaging the communities in their service delivery programs.

Due to their involvement in a wide range of activities as noted in the literature, NPOs have a large impact on developing and empowering different societies and communities they operate in. Their activities contribute significantly towards enhancing wellness, providing public services, empowering communities through training and capacity building (Mahmud & Parkhurst, 2007:8).

NPOs promote socio-economic development by providing social services to the community free of charge. They devise ways of raising funds and donations to support social needs. Regardless of this significant contribution, NPOs face a number of challenges, which include rivalry, limited funding, insubstantial government funding criteria and an overall lack of government backing. Even though NPOs face these challenges, the community or society, which they serve, expect them to fulfil their obligations and deliver the services promised to the society. In order to maintain such expectations from the communities, NPOs must continuously acquire vital resources and seek support from external sources. What this means, therefore, is that it is essential for the state, the community, and the private sector to continuously support NPOs in fulfilling their role towards socio-economic development.

Supporting NPOs will enable them to continue delivering social value and addressing the pressing needs of disadvantaged communities and help address some of the economic challenges. The state and private sector should work in partnership with NPOs to help them in addressing social challenges and delivering critical services to the society. Government policies should aim at promoting the role of NPOs and their growth. In South Africa, the private sector benefits from corporate social initiatives in the form of tax rebates and enterprise development. The private sector may therefore intensely explore this route for the benefit it secures, but also in advancing and supporting NPOs in their socioeconomic development projects.



#### STUDY FORWARD

The role of NPOs globally is still debated. While there is a fractured understanding of their significance in the West, sub-Saharan Africa's understanding of their role is vastly lacking or in fact fragmented. This confused state of the significance of NPOs raises the question: are NPOs truly worth paying attention to? Extant literature argues that a clearer picture needs to be painted from a contextual perspective. Owing to this, this paper has attempted a descriptive literature survey that clarifies an understanding of NPOs, their different characterizations and criticisms in order to forward the peculiar context of South Africa so as to give meaning to the reasons why NPOs need to be supported. Hopefully, this contextual discourse compels researchers to unveil the significant position of NPOs as active change agents (Broome, 2009) in the socio-economic development of economies but more importantly to raise the awareness of the need to sustain them in sub-Saharan Africa. Corollary to this is the call by Teegen, Doh & Vachani (2004, 15) for "an active, creative, exciting, and rigorous future research" in "the emerging role of NGOs in advancing broad social issues of major concern around the world and providing critical goods and services".

Having discerned the value that NPOs add towards socio-economic development, further research on this subject matter could investigate the type of support that is available to NPOs and the challenges faced by the organisation in delivering their services to the communities and how best they can market their services to gain visibility as well as attract appropriate financial support. This should inform the state and the private sector on how best to support these organisations so that they can continuously deliver social value and contribute to socio-economic development. This will also inform the development of policies around supporting these organisations. Marketing their services will unlock and open up additional funding opportunities to necessitate continuous delivery of social value. In this regard, future research could examine the marketing opportunities available to South African NPOs in order for them to remain sustainable.

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