



Publisher

<http://jssidoi.org/esc/home>



THE COVID-19 PANDEMIC CONSEQUENCES TO THE ACTIVITY OF NGOs*

Paweł Mikołajczak¹, Joanna Schmidt², Robert Skikiewicz³

^{1, 2, 3}*Poznań University of Economics and Business, Poland, Al. Niepodległości 10, 61-875 Poznań, Poland*

E-mails: ¹pawel.mikolajczak@ue.poznan.pl; ²joanna.schmidt@ue.poznan.pl;
³robert.skikiewicz@ue.poznan.pl

Received 15 December 2021; accepted 22 February 2022; published 30 December 2022

Abstract. The aim of the research is to determine the consequences of the COVID-19 pandemic for activities carried out by non-governmental organizations (NGOs). Moreover, there will be conducted an assessment of the differences in the perceived effects of the pandemic by NGOs due to their activity areas. The analyzes are based on the results of a survey that was carried out among representatives of NGOs in the period April-May 2020. The descriptive analysis was conducted on the basis of survey data. Additionally, a chi-square test of independence will be carried out to verify the differences in the perceived effects of the COVID-19 pandemic in the groups of NGOs established based on the criteria area of activity. The results obtained enable us to point out the consequences of the COVID-19 pandemic in a very short time horizon - the next 4 and 8 weeks – for NGOs in the area of the possibility of fully financing the salary costs, as well as the ability to provide services to clients/beneficiaries. The paper establishes the frequency of concerns regarding the negative consequences of the COVID-19 pandemic (such as loss of income, the need to dismiss employees). In addition, it will outline the most pressing challenges faced by NGOs to the effect of the COVID-19 pandemic and assess the outlook after the pandemic. The paper fills the gap in the knowledge of the effects of the COVID-19 pandemic for NGOs.

Key words: non-governmental organizations; COVID-19; technology (IT)

Reference to this paper should be made as follows: Mikołajczak, P., Schmidt, J., Skikiewicz, R. 2022. The COVID-19 pandemic consequences to the activity of NGOs. *Entrepreneurship and Sustainability Issues*, 9(3), 330-349. [http://doi.org/10.9770/jesi.2022.9.3\(20\)](http://doi.org/10.9770/jesi.2022.9.3(20))

JEL Classifications: L31

* The study was conducted within the research project *Economics in the face of the New Economy* financed within the *Regional Initiative for Excellence* programme of the Minister of Science and Higher Education of Poland, years 2019-2022, grant no. 004/RID/2018/19, financing 3,000,000 PLN

1. Introduction

NGOs play a key role in the turbulent times of the crisis caused by the COVID-19 pandemic. They are an important element in mitigating the effects of the deteriorating situation of societies affected by the pandemic. The activities of NGOs are primarily based on the involvement of human resources. They engage in direct assistance in various areas. It is especially difficult in view of the threat of contracting the COVID-19 disease. The crisis of COVID-19 is significantly worsening the situation of all national economies. The financial problems also affect NGOs, whose poor financial condition does not allow them to effectively defend themselves against sudden events (Mikołajczak 2017). NGOs require not only operational changes, but also new strategic vision to effectively fulfill the social mission (Rottkamp, 2021).

Hence, many studies focus on monitoring the situation of NGOs. Authors try to propose recommendations that will improve the effectiveness of NGOs. State aid is of great importance. As the level of public support differs from country to country, the possibilities of coping with the pandemic also differ (Mikołajczak 2021a, Mikołajczak 2021b). The level of support in highly developed countries in Western Europe and the USA is much higher than in developing countries. Also, most of the research to date concerns the impact of the COVID-19 pandemic on the activities of NGOs from richer countries (Fachum et al. 2020; Gronbjerg et al. 2020; Díaz 2020; Deitrick et al. 2020). There is still a visible lack of arrangements in this regard about developing economies. This article fills this gap. What is more, however there is growing number of studies and reports (Bhandari and Mahat 2020; Deitrick et al. 2020; Beaton, 2020; Stefan et al., 2020, Word and Gahre, 2020; Okunola & Fakunle, 2021) that show how differently organizations cope with the pandemic, still surprisingly little is known about how important factors like area of activity affect their functioning, while this issue is well studied in for-profit (Marcu, 2021; Łacka and Suproń, 2021) and public sectors (Qureshi et al. 2021).

The accelerating COVID-19 epidemic and the limited possibilities of supporting NGOs in developing countries prompted a question regarding the consequences of the crisis on the activities of NGOs. Searching for answers in which areas of NGOs activity the support is the most necessarily has a key importance. This knowledge is crucial for managers who face the challenge of meeting the social mission. It is also important for public authorities who are focused on mitigating the pandemic distortions and destruction in many societies by supporting NGOs. In addition, the article introduces a dynamic shot that is a certain novelty. The expected consequences of a pandemic are captured in the long and short term.

The aim of the research is to determine the consequences of the COVID-19 pandemic for activities carried out by NGOs. The research problems that follow this aim first focus on understanding the influence of COVID-19 pandemic on the financial situation of NGOs; and then then investigating the relationships between NGOs' situation and the area of activity. The study attempts to answer two research questions:

1. How do COVID-19 pandemic affect financial situation of NGOs?
2. How do activity area associate with functioning and activities of NGOs?

This article firstly presents the importance of COVID-19 in other countries as dealt with in scientific considerations to date. The literature section also provides research findings to date with regard to efforts by organizations to deal with pandemic issues.

The study of the literature in this area made it possible for variables to be selected for the methodological section, which also presents the sample studied and the research procedure. This part of the article also includes the results of chi-squared analysis. The final section of the article presents conclusions, recommendations for further research and the limitations of the study.

2. Literature review

NGOs are entities that operate independently of government involvement, are run by citizens and act for a chosen social goal. The most common legal forms they adopt are associations and foundations. Currently, in Poland there are about 143,000 registered NGOs, about 100,000 of which are active (Charycka and Gumkowska, 2019).

The extraordinary scale and speed of changes caused by the COVID-19 pandemic have challenged NGOs, affecting numerous areas of their work (Kim and Mason, 2020; McMullin and Raggo, 2020; Charycka and Gumkowska, 2021). Latest studies (Kim and Mason, 2020; McMullin and Raggo, 2020; Young et al. 2020, EFA, 2020, Stewart et al. 2021) confirm the great impact of the COVID-19 outbreak on the activity, management, work environment and overall condition of NGOs.

While the pandemic has increased the demand for the services of NGOs in many areas, at the same time it injured their finances and staffs and very often forced them to reorient and develop new way of performance. Most organizations had to withdraw from planned actions and cancel fundraising events. Half of them have struggled to reach beneficiaries or deliver services in lockdown (EFA, 2020). At the same time income from both individual donations and services of many NGOs dropped, and their human resource capacity was reduced (EFA, 2020). Their biggest concerns include lost revenue and cash flow disturbances; reaching and engaging supporters; human resources in relation to pay roll, remote-work management, stress and health; and services delivery and fulfilling the needs of the beneficiaries and clients (Stewart et al. 2021; EFA, 2020). Also, organisations very often indicate the need to increase digital skills (EFA, 2020).

When looking at numbers, NGOs finances have been negatively stuck in many ways. Restrictions related to COVID-19 appearance caused decreasing individual donations, fees for services and event participation, and membership dues (Stewart et al. 2021, EFA, 2020, Johnson, et al. 2021). In US over 8 in 10 organisations lost revenue and over 7 in 10 had reduced programming (Johnson, 2021). In European countries 62% of organizations expected that their total revenue for the rest of 2020 (after the pandemic begun) would be lower than anticipated at the beginning of 2020. Responses differed across the nations and by organisation size. Respondents in the UK (71%), Spain (71%) and Italy (70%) were more likely to say their revenue will be lower than anticipated, while in Germany 37% of organisations expected their revenue would be higher than estimated (EFA, 2020). In Poland 65% of NGOs believed that the pandemic has worsened their situation and 57% had lower revenues in 2020 than in the previous year (Charycka and Gumkowska, 2021). Most leaders of organizations already was afraid that long-term

financial stability was in jeopardy, which had consequences in the form and scope of their reaction for the pandemic crisis (Johnson, 2021).

In many countries a variety of protection programs were offered, however usually they are seen as insufficient. Only 13% of NGOs received funding from government and 21% received other grant funding to continue or increase services, while 36% experienced increased demand for their services, according to European Fundraising Association (EFA, 2020). On the other hand, many organisations experienced reduced government revenue, as public institutions face their own challenges and cover new expenses (Johnson, 2021; Charycka and Gumkowska, 2021).

Since COVID-19 pandemic enforced sudden shift in organization functioning to a great extent, this require not only operational changes, but also new strategic vision (Rottkamp, 2021). In this context realigning programmatic strategies are mentioned as a tool to follow the changing needs of different groups of organization's stakeholders; identifying new revenue streams, joining forces with other organizations and new ways to stay connected with stakeholders, communities, and the public and also accepting and adopting technology solutions (Rottkamp, 2021). This strategic transformation has many aspects and is complex, but organisations already make an effort to embrace and implement all needed changes. For some of them, pandemic is not only a challenge, but also an opportunity to step further and look for new business model or vision. Investments that organisations make today will benefit in the future in collaboration, communication and relation building, financial possibilities and team stability and engagement. The pandemic, in some way – despite all the difficulties and challenges – stimulated NGOs to be more agile and to introduce innovations. It also challenged NGOs to analyze their processes, procedures and overall functioning in a new way in the future. So this process of changes, forced by pandemic situation, can also bring some positive modifications in adapting their cultures to be more flexible and paperless (Chikwanda, 2020).

To be able to continue their activity, NGOs started to transform in many ways and in many areas. Most of them found some new ways to deliver services, e.g. increasing significantly their online offer (EFA, 2020). Also, as their most common problem is the ability to raise enough funds, NGOs were transforming their fundraising strategies, implementing digital tools and diversifying their approach to use a larger variety of channels. Many organisations also launched an emergency appeal, asked corporate partners for support or increased their focus on grants (EFA, 2020). NGOs were also encouraged (or forced) to explore new, innovative revenue sources and to divers revenue streams more (Johnson, et al. 2021).

It is also worth noting that although most of organisations experienced an instant impact on their programs and financing, those with more reserves were less likely to reduce operating hours, lose staff, or experience difficulty getting supplies or vendor services. What is more, they were less likely to experience higher demand for services during the pandemic (Kim and Mason, 2020).

There are, however, some sources of revenues that in many organizations have increased during the pandemic. That include most of all contributions from large foundations and corporations (Finchum-Mason et al. 2020; Johnson, et al. 2021) and individual donations to some extent (Li and Feng, 2021; Johnson, et al. 2021). The number and amount of donations were not related to the size of reserves, which imply that donors aren't much interested in financial situation of the organisation (Kim and

Mason, 2020). This is also a source that is much less available to smaller or community based organizations (Johnson, et al. 2021). In the COVID-19 perspective, donor behavior differs depending on the financial fairness perception in NGO (Li and Feng, 2021). As authors explain, it may be linked to the fuzziness of the use effect of donated funds and the evaluation difficulty, which is visible especially under the pandemic condition.

As mentioned, philanthropic foundations visibly increased their donations (Finchum-Mason et al. 2020). The majority of them are stating that they also introduce important modifications in how they support their grantees, that they are loosening restrictions, changing how funds can be used or prioritising certain communities most affected by the pandemic. This include reducing reporting requirements, providing additional grant funding and making such funding unrestricted.

COVID-19 pandemic and its turbulences had great impact on NGOs' capacity. It affected human resources on individual, team and organisational level (Akingbola, 2020). Most important consequences for NGO's human resources include layoffs; remote work issues related to team dynamics, mental health concerns, work schedule or work-life balance (Akingbola, 2020); employee' participation in decision making process and their ability to collaborate, which is traditionally an important value and an element of organisational culture in many organizations (Levine and McCambridge 2020).

In Europe, on average, over a third of organisations indicated that staff and volunteers had been reduced with highest numbers (half of organizations) in UK (EFA, 2020). In Poland paid staff was reduced in 17% organisations and volunteers number decreased in 36% of them (Charycka and Gumkowska, 2021). Workers had also their hours or pay cut (Stewart et al. 2021). Team instability, very significant changes in work environment like remote work (Young et al., 2020), financial challenges were also related to low employee morale, and conflicts with organizational mission (McMullin and Raggo, 2020). Existing knowledge do not explain the situation of pandemic and previous findings seem not accurate in many areas, therefore as McMullin and Raggo stated (2020, p. 1185) *boards need to be remarkably agile, flexible, and responsive to the ever-changing environment to ensure survival*. They also suggest that organisations with governance structures matched more to predictable environments will experience more changes and transformations between management and leadership activities while moving through the phases of the pandemic. Another NGO organizational characteristics in COVID-19 perspective stress strong solidarity culture that seems to "protect" the organization from potential pandemic-related threats (Feiler and Breuer, 2021). In this perspective, capacity building is seen as a solution that can help in creating more resilient organisation.

Although it is obvious that the pandemic affected most NGOs, their situation often varied depending on their area of activity. As pandemic and also previous crisis experiences showed, human service NGOs experience increased demand for their services during a recession (Hasenfeld, 2010) and may benefit from emergency foundation support and donations (Walker, 2020), while others – including arts and humanities, sports, education, non-COVID related healthcare units have seen a decrease in demand and decreasing revenue (Johnson, et al. 2021). For example Kim and Mason (2020) indicate that arts and culture organizations which depend largely on consumer spending and leisure activities, were generally hit harder by the COVID-19 pandemic. As they show in USA (ibid.) 93% of arts organizations had to or expected to suspend programs, compared with 66% of human service organizations. Also, 75% of arts NGOs reported decreasing demand for services, whereas 57% of human service organizations reported

increasing demand. What is more arts organizations faced more resource related challenges compared with human service NGOs. Among Polish NGOs the situation among those branches of the sector was quite similar as in other countries (Charycka and Gumkowska, 2020, 2021). The share of organizations that suspended all or most of their activities is highest among sports (80%), cultural (73%), local development (60%) and health (58%) organizations. On the other hand, most or even all activities conducted so far are most often carried out by organizations in the area of social welfare (57%). These data show that the cultural and sports industries were hit hardest by the consequences of the pandemic in the sense that the vast majority of them had to suspend most or all of their activities. Organizations from the social welfare sector are in the relatively best situation. After a year of COVID-19 crisis this tendency was still visible. The deterioration of the situation was most often declared by NGOs dealing with local development, sport and tourism, as well as culture and art. On the other hand, the pandemic was the most common impulse for development for social welfare organizations. (Charycka and Gumkowska, 2021).

Within the healthcare and education sector, the impact of COVID-19 on generated income has been mixed, however mostly negative (Johnson, et al. 2021). Participation in education services for both adults and children declined, while most of organizations reported increased costs for cleaning, protective equipment, staffing and renovations (ibid.). The operating circumstances and specialization of the organization had a large impact on the its functioning in these sectors. For example, organizations running schools (due to compulsory education) were much less affected by the pandemic than those running nurseries and kindergartens (Charycka and Gumkowska, 2021). In the face of the pandemic, many organizations also began to take new actions, previously not related to their area of activity. These organizations most often started to support seniors (40%), but also doctors and paramedics (30%), sick or disabled people (28%) and people in quarantine (27%). Their activities most often included information and on-line educational activities (61%), emergency assistance (e.g. shopping, serving meals) (25%), understanding the needs of recipients related to the pandemic (24%), sewing masks (23%), activities for self-organization, volunteering (23%), purchase / distribution of hygiene products, disinfectants (22%), or financial and material support (e.g. organization of collections) (18%) (ibid.).

Under the pandemic situation, for some organisations digital development is only a necessity, for others it is a part of strategic and (in many ways) permanent change of the way they work, communicate, raise money or deliver services. It is too soon to state whether these changes are to stay for good (Rottkamp, 2021). In the past, information and communication technologies (ICT) weren't a priority at many NGOs, mostly due to the expense and resources required. These organisations were in a difficult situation ever before the pandemic and in today's reality they are at a big disadvantage (Rottkamp, 2021).

In NGOs, digitization built greater efficiency because it makes specific elements of work easier, and communication in some aspects becomes simpler and faster. Digitization enables NGOs to reduce labor costs by automating certain tasks, personalizing the donation process, increasing transparency and trust in digital technologies, focusing on attracting people supporting the ideas of the organization, building relationships to a greater extent than when focusing on traditional fundraising techniques, virtualizing electronic marketing and decentralizing their services (Herbert, 2017). In addition to its opportunities, digital transformation brings challenges for these organizations. Digitization is a long-term process, that requires strategic planning, finances and careful thought. It is often difficult for NGOs due to the conditions and constraints under which they operate, such as stricter budgets, slower growth potential

and a slower adaptive culture (Mansfield, 2014), but also their perception in the public space (e.g. the expectation of maximize the proportion of donated funds spent on the provision of services and minimize administrative costs, including technology expenditure) and issues related to organization management (avoiding risk, the need to care for the image of the organization) (Krueger and Haytko, 2015).

Previous studies on digitization in NGOs also indicate, above all, that these organizations are slowly adapting to changes in the digital space (Neff, and Moss 2014), and that they do not fully use the tools they implement, do not operate in an interactive manner and that they do not perceive and do not use the potential of social media (Campbell et al. 2014). Moreover, Gordon et al. (2009) indicate that the consequences of a low Internet presence for NGOs are associated with the loss of potential customers, volunteers and donors, as well as the image of a modern, outdated organization.

COVID-19 crisis pressures for the need to begin or accelerate on digital innovation (Ibrahim et. al. 2021). During the COVID-19 pandemic, digitization technologies have become more critical (Nandi et al., 2021). Email, social media messaging and websites were most commonly used by vast majority of NGOs to fundraise and build supporter engagement. As a result, almost half of respondents reported an increase in money donated online. Although almost all organisations used some digital channels for fundraising to some extent, there were notable differences across the national data sets (EFA, 2020). Also in Poland organisation tried to transfer their activity online after the pandemic begun. Although 65% of organizations believe that the pandemic has worsened their situation, at the same time 52% of them see some positive consequences of the pandemic for their organization (Charycka and Gumkowska, 2021). They are mainly related to the transfer of some activity to the Internet and greater use of ICT in places where previously it seemed unnecessary or even impossible. This resulted, inter alia, in reducing bureaucratic burdens, bigger training availability, better and faster communication and generally favorably assessed changes in the organization in the area of teamwork, and learning how to cope with crisis situations (Charycka and Gumkowska, 2021, pp. 31-32).

After a year of the pandemic, 34% of organizations in Poland operate entirely or mostly online, and at the same time 39% of organizations do not conduct any activities online (Charycka and Gumkowska, 2021, p. 10), so the discrepancy in the manner of carrying out activities is large. At the same time, 41% of organizations, as a result of the pandemic, increased the scope of activities carried out remotely, and 31% of organizations plan to maintain remote activities also after the end of the pandemic (ibid.). However, the significance of the pandemic for the digitization of the activities of an NGO, stability of the changes, or willingness to continue the transformation, is to be seen in the future. For NGOs, it can be an extremely important moment to search for a new identity and a new way of carrying out their mission.

Accordingly, the authors hypothesize that:

H1: the COVID -19 pandemic has a negative impact on the financial situation of NGOs, limiting the possibilities of their operations in Poland.

H2: the COVID pandemic has influenced the functioning and activities of NGOs to a varying degree, depending on their field of activity.

3. Research methodology and characteristics of the survey

The analyzes are based on the results of a survey conducted among representatives of non-governmental organizations in the period April-May 2020. The questionnaire, originally obtained from The Nonprofit Institute operating at the University of San Diego (USA), was adapted so that the questions contained in it were adequate to the situation of the Polish non-governmental sector, and it was supplemented with additional questions regarding wider variety of issues. Many of the questions were open-ended, which gave the respondents the opportunity to freely express their problems and needs, without imposing a specific subject or form. During the subsequent analysis of the results, they were coded by creating appropriate categories. The questionnaires were sent to the organizations through the Marshal's Offices, which have the bases of the organizations in their voivodship and are in direct contact with them. 115 questionnaires were collected. The respondents were leaders of organizations (mostly board members).

The largest share in the sample are NGOs whose main area of activity is sport, tourism, recreation and hobbies (23.9%) and organizations operating in the field of culture and art (23.9%). These two groups of organizations account for almost half of the research sample. The next places in terms of participation in the research sample are organizations dealing with social services and social assistance (19.5%), education and upbringing (12.4%) and local development in the social and material dimension (10.6%). The remaining NGOs account for 9.7% of the survey participants.

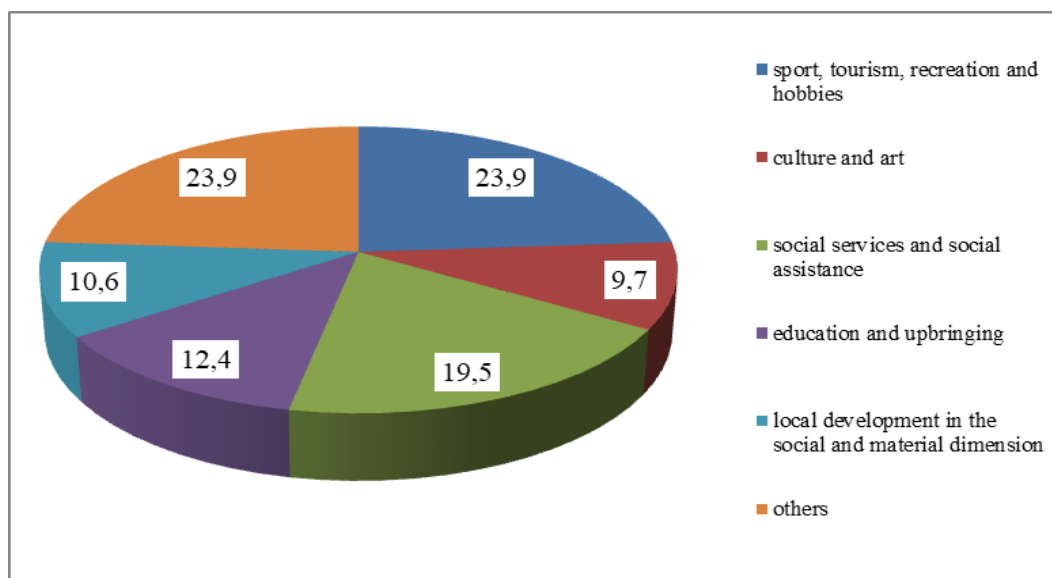


Figure 1. Structure of the research sample by area of activity (in%)

Source: own calculations based on data from the survey

In order to answer the research questions formulated in the introduction to the article, a descriptive analysis was carried out, supplemented by the results of the chi-square test of independence. The analyzes were carried out with the use of the Statistica 13.3 package. For the six questions selected for analysis, pivot tables were created in which the question regarding the area of activity of NGOs was used as a segmentation criterion. On the basis of the pivot tables, the groups of NGOs, separated according to the area of their activity, were compared.

In order to deepen the conclusions and determine whether the observed differences in the responses in the distinguished segments of NGOs are statistically significant, the Pearson chi-square independence test was performed. The reason for choosing this test was the nominal measurement level of both variables, on the basis of which pivot tables were created - both the variable constituting the segmentation criterion and the analyzed variable. This test is based on comparing the observed values (obtained in the tables) with the expected values (values that would appear in the tables if there were no relationships between the variables). There is a relationship between the variables if the difference between the observed and expected values is large - statistically significant (Adeyemi, 2009).

4. Results

4.1. Expected consequences of COVID-19 in the very short term

An analysis of the opinions of representatives of NGOs indicates that at the time of the survey, as many as 40.4% of organizations did not bear salary costs, and in the case of 1.8% of them, the representatives participating in the survey did not know about the possibility of financing salaries.

On the basis of the answers of the remaining survey participants, it can be concluded what is the probability of problems with financing the costs of remuneration. Within the next 4 weeks, 28.8% of the survey participants indicated the problem with full financing of wages and salaries as a very probable event. According to a further 36.4%, such a situation was rather likely. Thus, about 65% of the participants considered problems to be likely to occur.

In the horizon of the next four weeks, the representatives of NGOs whose main area of activity are culture and art (100%) as well as local development in the social and material dimension (85.7%) are most worried about problems with financing the costs of remuneration. It is also worth adding that representatives of NGOs dealing with education and upbringing (60.0%) as well as sports, tourism, recreation and hobbies (53.3%) most often consider such a situation unlikely.

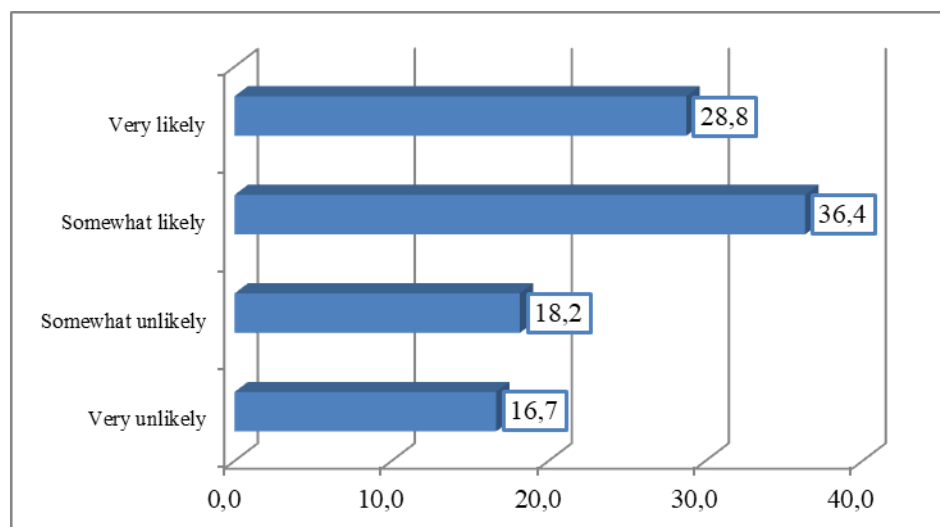


Figure 2. Ability of the organization to fully finance wage costs for the next 4 weeks (in %)

Source: own calculations based on data from the survey

In the opinion of the survey participants, the extension of the time horizon for the question regarding the financing of wages and salaries gave hope for the necessary support in this respect, thanks to which answers confirming the possibility of problems were indicated less frequently and the frequency of selecting answers indicating that such a situation was unlikely increased (see Figures 3 and 4). Problems with financing wages and salaries over the next 8 weeks are expected by 52.9% of the survey participants, of which 22.9% believe it is very likely, and 30% consider such a situation rather probable.

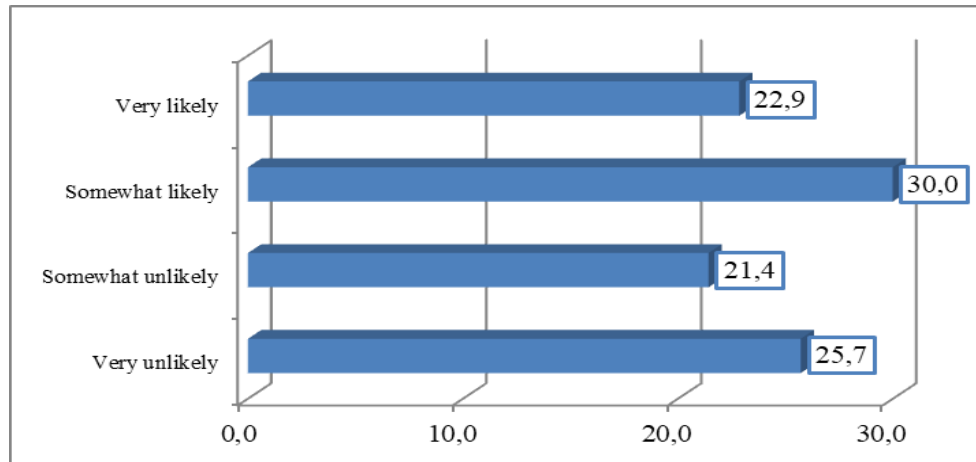


Figure 3. Ability of the organization to fully finance wage costs over the next 8 weeks (in %)

Source: own calculations based on data from the survey

Over the next eight weeks, the greatest concerns related to the possibility of financing wages and salaries are (similarly to the four-week horizon) representatives of NGOs whose main area of activity is culture and art (100%) and local development in the social and material dimension (83.3%). On the other hand, the possibility of problems with financing wages is considered unlikely most often by representatives of NGOs dealing with education and upbringing (90.9%) as well as sports, tourism, recreation and hobbies (62.5%).

Table 1. Results of the chi-square test of independence between the variables concerning the ability of the organization to fully finance wage costs and the field of activity of NGO's

Variables	Field of activity	
	Chi2	p
How likely is it that your organization will be able to fully finance the payroll costs over the next 4 weeks	34.299	0.10168
How likely is it that your organization will be able to fully finance the payroll costs over the next 8 weeks	48.805	0.00298

Source: own calculations based on data from the survey

The results of the chi-square independence test (Table 1) allow to state the existence of a relationship between the area of activity of NGOs and the perception of the possibility of financing wages and salaries for the next 8 weeks at the significance level of $\alpha = 5\%$. Moreover, no relationship was found between the perception of the possibility of fully financing wages for the next 4 weeks and area of activity.

4.2. Concerns about the negative consequences of the COVID-19 pandemic

Study participants rated how much they fear the various negative consequences of the COVID-19 pandemic on a five-point scale (1- not a little, 2- slightly, 3- to some extent, 4- rather, 5- very much). On the basis of the sum of the percentage of responses 4- rather and 5- very much, a ranking of the negative consequences that are most feared by people participating in the study was prepared.

Representatives of NGOs, among the possible negative consequences of COVID-19, were most concerned about the delay in awarding subsidies for the activity / project implementation (65.8%) and a decrease in funds obtained from collections / donations (58.5%). A slightly smaller percentage was afraid that, as a result of the COVID-19 pandemic, they would lose revenue from fees due to the cancellation of an event / program (e.g. as part of a paid activity) (47.6%). Almost 40% of the survey participants feared the lack of reimbursement due to the non-eligibility of expenditure under projects implemented from public funds. On the other hand, the consequences of COVID-19 indicated least frequently by respondents included the inability to pay rent, utilities, etc. (29.0% of responses) and the need to dismiss employees (21.6% of responses).

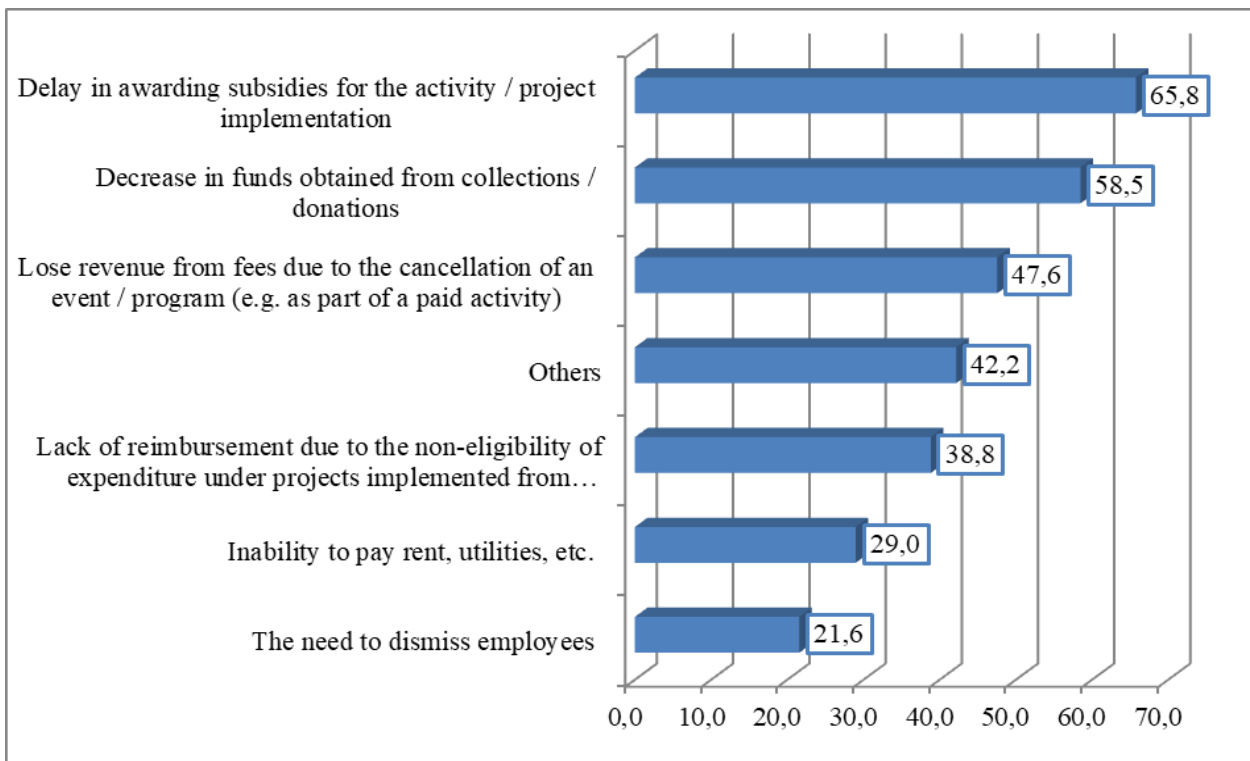


Figure 4. The greatest concerns of representatives of NGOs related to the COVID-19 pandemic

Source: own calculations based on data from the survey

Based on the answers given to the question about the effects of the COVID-19 pandemic, a ranking of consequences was also created, the occurrence of which representatives of NGOs are not afraid of at all. A positive conclusion from this ranking is that almost half of the survey participants (48.0%) are not

afraid of the need to lay off employees at all. In addition, 36.4% of NGO representatives believe that the COVID-19 pandemic does not threaten the ability to pay rent, utilities, etc. Every fourth study participant was not afraid that the COVID-19 pandemic would lead to loss of fee income due to the cancellation of the event / program (e.g. as part of paid activity) or until no reimbursement of costs due to the ineligibility of expenditure under projects implemented from public funds. The risk of a decrease in funds obtained from collections / donations as a consequence of the COVID-19 pandemic did not occur in the opinion of 15.1% of respondents. It is also worth emphasizing that only 8.1% of representatives of NGOs were not completely afraid of delays in awarding subsidies for the operation / implementation of the project.

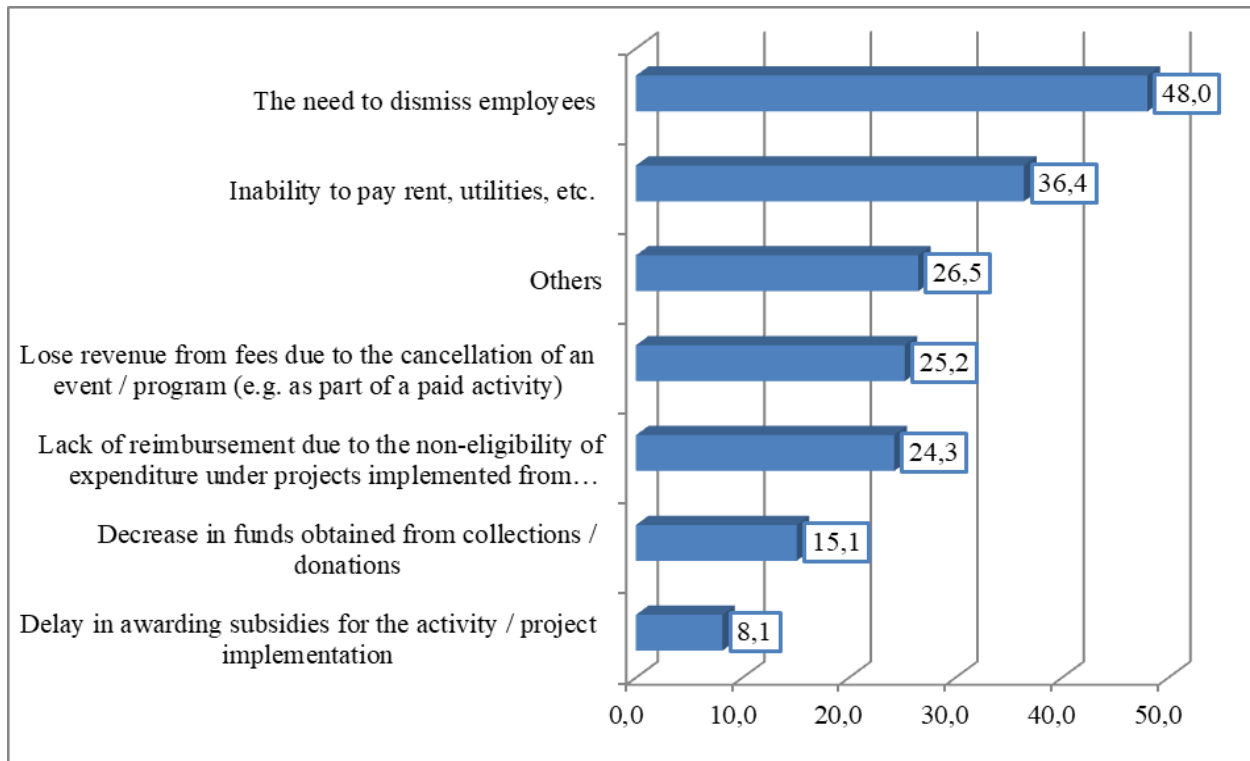


Figure 5. Consequences of the COVID-19 pandemic that representatives of NGOs are not afraid of

Source: own calculations based on data from the survey

Based on the results of the chi-square independence test (Table 2), it can be concluded that there is a relationship between the area of NGO activity and the three consequences of the COVID-19 pandemic, with the significance level of $\alpha = 5\%$. The three consequences of the pandemic include: loss of revenue from fees due to the cancellation of an event / program (e.g. as part of a paid activity), the need to dismiss employees and the inability to pay rent, utilities, etc. There is no relationship between the remaining pairs of the analyzed variables.

Table 2. Results of the chi-square test of independence between the variables concerning the consequences of the COVID-19 pandemic and the field of activity of NGO's

Variables	Field of activity	
	Chi2	p
Loss of revenue from fees due to the cancellation of an event / program (e.g. as part of a paid activity)	34.762	0.02141
The need to dismiss employees	32.614	0.03718
No reimbursement of costs due to the ineligibility of expenditure under projects implemented from public funds	18.577	0.54946
Delays in awarding subsidies for the operation / implementation of the project	23.181	0.28000
Inability to pay rent, utilities, etc.	33.465	0.02998
Decline in funds obtained from collections / donations	19.976	0.45945
Others	19.430	0.49408

Source: own calculations based on data from the survey

4.3. Changes in the provision of services

In an open-ended question, participants pointed to the changes that have occurred in the provision of services by their NGOs in connection with the COVID-19 pandemic. Some participants indicated more than one change. The answers provided were classified into four categories (Figure 7).

Due to the COVID-19 pandemic, NGOs most often canceled, suspended or closed facilities (64.4%). Half of NGOs transferred work and activities online (32.2%). Moreover, 20.0% of the survey participants indicated other changes in the scope of service provision, and 7.8% reported switching activities to other or additional activities.

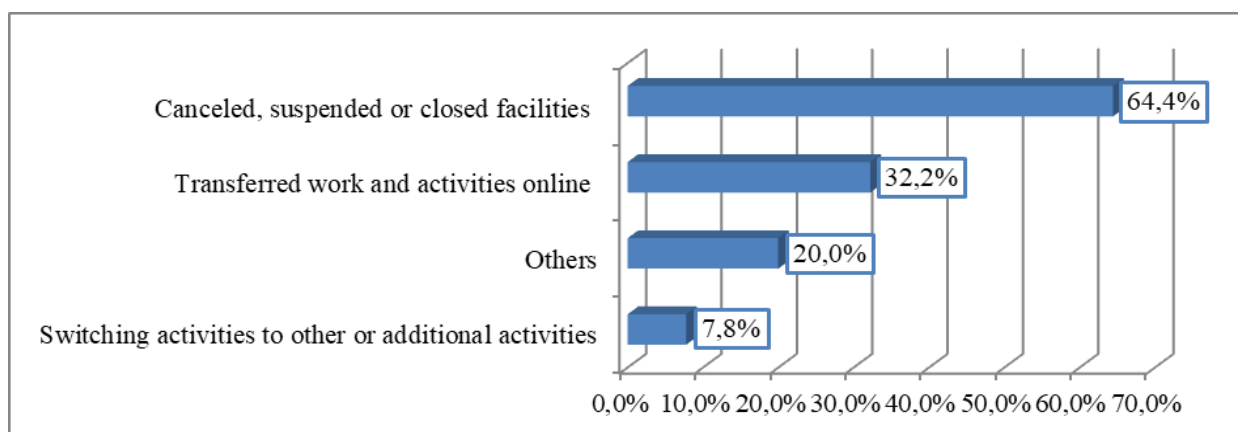


Figure 6. Changes in the provision of services in connection with the COVID-19 pandemic

Source: own calculations based on data from the survey

4.4. The most urgent challenges faced by NGOs

Study participants identified one of the most pressing challenges faced by NGOs in the COVID-19 pandemic by selecting one out of ten responses to a single-choice semi-open question. The largest percentage of respondents considered the issues related to financing activities, maintaining the organization, financial liquidity, fixed costs, and formalities to be such a challenge (23.5%). On the next place were other challenges indicated by the respondents, not included in the answers to the question, such as, for example, survival, return to normalcy, very specific tasks such as publishing a book, contact with XYZ (14.7%). The percentage of indications exceeding 10% occurred in the case of two further responses - preparation for the implementation of tasks after the lifting of restrictions (in the new formula) - e.g. organization of classes, trips, events (13.7%) and transfer of services to the network, organization of online activities, preparing, for example, new materials, staff training, organization of meetings, classes, etc. (11.8%). In total, almost 64% of the study participants indicated one of the four challenges described above.

The remaining challenges related to the COVID-19 pandemic were less often selected as the most urgent by study participants. In the opinion of 9.8% of the respondents, the most urgent was to ensure the efficient functioning of the team, ensure their safety, the ability to perform tasks, and integrate the team. According to 8.8% of the survey participants, the most important thing was to maintain contact with beneficiaries/ pupils / clients; supporting them, motivating them, keeping them organized, maintaining relationships with them. Other participants of the study indicated solving organizational problems as a key issue - 7.8% considered the most urgent challenge to be the inability to perform tasks at present or large limitations in their implementation, 5.9% chose difficulties in planning decision-making, and 2.0% the highest priority attributed to formal issues related to the implementation of projects - concerns about whether necessary changes will be introduced, etc. It is worth adding that among the representatives of NGOs, 2.0% were people who indicated the lack of the most urgent challenges related to the COVID-19 pandemic.

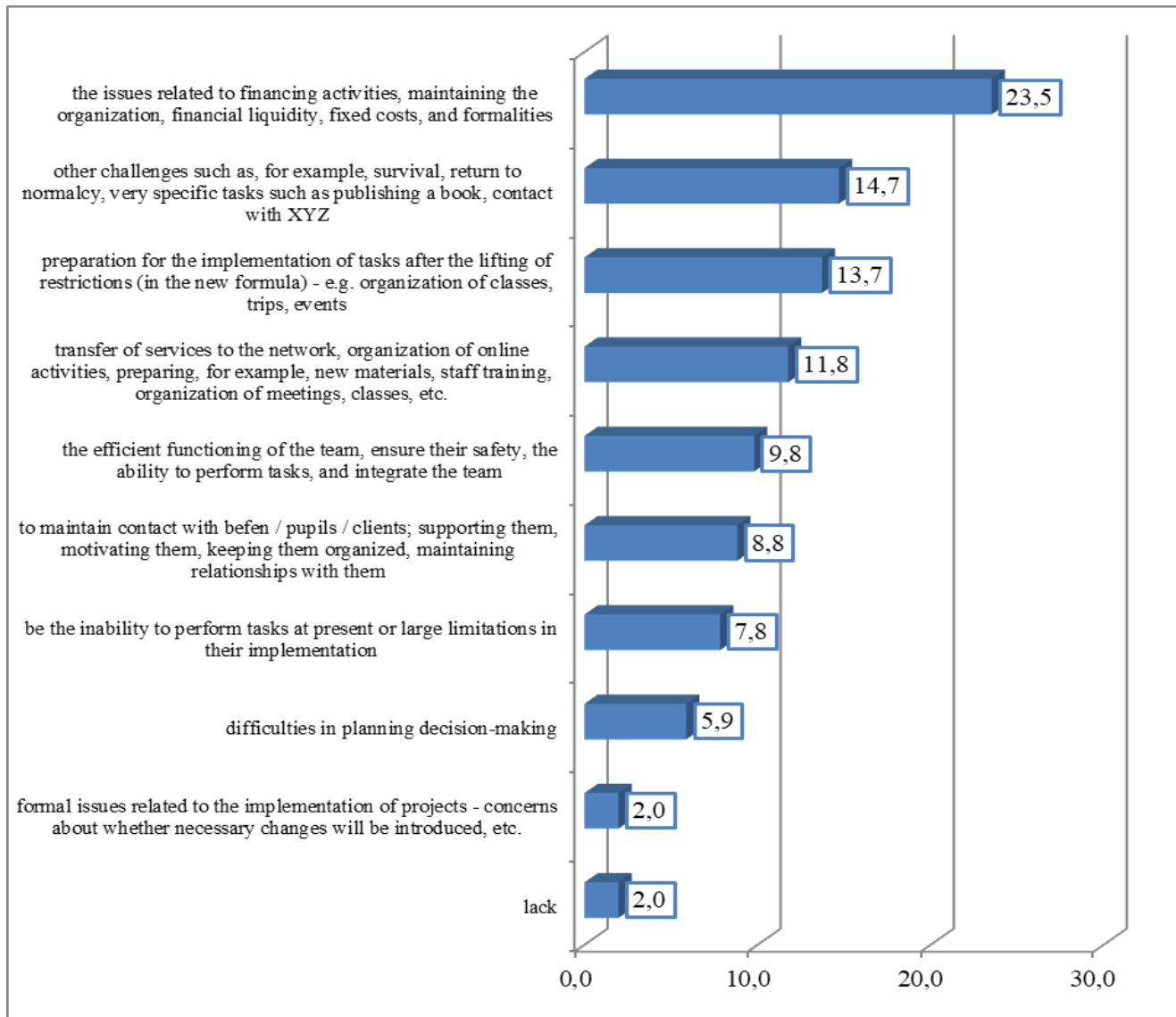


Figure 7. The most urgent challenges faced by NGOs in connection with the COVID-19 pandemic

Source: own calculations based on data from the survey

Based on the obtained results of the chi-square test of independence (Table 3), it can be concluded that there is a relationship between the area of NGO activity and the perception of the most urgent challenges of NGOs related to the COVID-19 pandemic at the significance level of $\alpha = 5\%$. There is no relationship between the variables in the province and the most urgent challenges faced by NGOs in connection with the COVID-19 pandemic.

Table 3. Results of the chi-square test of independence between the variable concerning the most urgent challenges faced by NGOs in connection with the COVID-19 pandemic and the field of activity of NGO's

Variables	Field of activity	
	Chi2	p
The most urgent challenges faced by NGOs in connection with the COVID-19 pandemic	78.913	0.0133

Source: own calculations based on data from the survey

5. Discussion and Conclusions

The article presented two research hypotheses. The first assumed that the COVID -19 pandemic has a negative impact on the financial situation of NGOs, limiting the possibilities of their operations in Poland. This hypothesis was confirmed. As shown in the article, a large percentage of Polish NGOs indicated loss of revenue from fees due to the cancellation of an event / program (e.g. as part of a paid activity) and decline in funds obtained from collections / donations. Similarly the research by Deitrick et al. 2020 points out that the most pressing fears related to the epidemic intensify the decline in donations, loss of fee-for service revenue and delayed grant processing. As this study shows. Polish NGOs also express concerns about the need to dismiss employees. A similar finding can be found in the studies of other scientists (see. eg. Deitrick et al.; Fahum Mason et al.) However, many scholars also point to the dramatic problem of burnout of paid staff and volunteers engaged in preventing undesirable effects of COVID-19 (Deitrick et al. al. 2020; Schoebel et al. 2021; Ben-Porat, 2014). In turn, as established in this study, Polish NGOs suffer even from the inability to pay rent and utilities, etc. and the USA of public support (Diaz 2020). As a consequence of the pandemic, the financial condition of most of them deteriorated significantly (Luppi, 2021; Eurofund, 2020).

The second hypothesis assumed that the COVID pandemic has influenced the functioning and activities of NGOs to a varying degree, depending on their field of activity. It is worth to emphasize therefore that the results of analyses proved that the field of activity of NGO's impact the challenges and some of the consequences of the COVID-19 pandemic. With regard to the outlook for NGOs' activities, the organizations anticipated the possibility of financing salary costs within 2 months, but no relationship was found between the perception of the possibility of fully financing salaries for the next 4 weeks from the beginning of the pandemic.

The results of the study indicate a greater interest in the use of IT tools in online communication of the surveyed NGOs with the environment. This in line with results of a research of Grønberg (et al. 2020) of who point out that the stay-at-home order was prompted by extensive efforts by NGOs to transfer services to telephone or internet platforms to manage the delivery and receipt of services in this format, both for non-profit organizations and customers. The authors emphasize that for clients it meant IT knowledge and access to cameras, microphones, high-speed Internet and the necessary software. For nonprofits, making sure employees had similar resources, as well as data management systems, IT security, and remote access to files and office equipment was also needed.

The importance of the results and contributions presented in the article has to be considered with their limitations in mind. First, a causal relationship was not confirmed as the analysis shows only correlations. Second, because this study's sample was relatively small and represents one country origin,

the findings cannot be generalized. Therefore, replication of this study in different contexts is suggested to test the generality of the results. Third, the comparison to earlier findings is limited since the lockdown has never happened before on such a large scale and never before had such a multidimensional socio-economic impact taken place. What is more, the limitations of the presented research include the implementation of the survey in the initial stage of the COVID-19 pandemic, characterized by a significant deterioration in the moods of entrepreneurs and consumers, resulting from high uncertainty and concerns about the impact of COVID-19. Moreover, the size of the research sample (n = 115) is a constraint.

However, the value of this study lies mainly in the fact that its results bring essential knowledge about the NGOs early response and needs in the pandemic situation. Despite the fact that a lot of scholars provide research indicating the impact of COVID-19 pandemic on nonprofits, most of them are related to US organizations derived from different states. This article fills a specific research gap in the field of NGOs by explaining the influence of the COVID-19 pandemic on activity of organizations from the perspective of Polish NGOs sector. Also, despite the fact that NGOs' sector is often seen as homogenous, results present important differences between the areas of their activity in terms of both their concerns and effects of pandemic situation. This brings new insight, especially since most authors refer to the situations in the USA, which is significantly different that European perspective, Eastern-European in particular.

The article provides guidelines for public authorities and leaders of nonprofits on what necessary challenges should be overcome to help the third sector to avoid financial and staff problems as well as improving IT infrastructure to fill their mission in turbulent time of pandemic.

References

- Adeyemi, T. O. (2009). Inferential statistics for social and behavioural research. *Research Journal of Mathematics and Statistics*, 1(2), 47-54.
- Akingbola, K. (2020). COVID-19: The Prospects for Nonprofit Human Resource Management. *Canadian Journal of Nonprofit and Social Economy Research*, 11(1), 16 – 20. <https://doi.org/10.29173/cjnser.2020v11n1a372>
- Beaton, E.E. (2020). Ohio Nonprofit COVID-19 Survey: A Report of the Results; The Ohio Attorney General's Office and Philanthropy Ohio: Columbus, OH, USA. <https://doi.org/10.2139/ssrn.3658394>
- Ben-Porat, A. & Itzhaky, H. (2014). Burnout among trauma social workers: The contribution of personal and environmental resources. *Journal of Social Work*, 15(6), 606-620. <https://doi.org/10.1177/1468017314552158>
- Bhandari, K C, D, B., Mahat, J.J. (2020). Impact of COVID-19 on Nepali Civil Society Organizations. Bangkok, Thailand. School of Global Studies, Thammasat University.
- Campbell, D. A., Lambricht, K.T., & Wells, C. J. (2014). Looking for Friends, Fans, and Followers? Social Media Use in Public and Nonprofit Human Services. *Public Administration Review*, 74(5), 655-663. <https://doi.org/10.1111/puar.12261>
- Charycka, B. & Gumkowska, M. (2019). Kondycja organizacji pozarządowych. Raport z badań 2018 (The condition of non-governmental organizations. 2018 research report). Wyd. Stowarzyszenie Klon/Jawor, Warszawa.

- Charycka, B. & Gumkowska, M. (2020). Organizacje pozarządowe wobec pandemii. Raport z badań (NGOs in the face of the pandemic. Research report), Wyd. Stowarzyszenie Klon/Jawor, Warszawa
- Charycka, B. & Gumkowska, M. (2021). Rok w pandemii. Raport z badań organizacji pozarządowych 2020/2021 (A year in a pandemic. NGO research report 2020/2021). Wyd. Stowarzyszenie Klon/Jawor, Warszawa
- Chetkovich C. & Frumkin, P. (2003). Balancing margin and mission nonprofit competition in charitable versus feebased programs. *Administration and Society*, 35(5), 564-96. <https://doi.org/10.1177/0095399703256162>
- Chikwanda, H. K. (2020) Challenges and strategies in npos' operations during covid-19 pandemic, 2nd African International Conference on Industrial Engineering and Operations Management, IEOM 2020; 59, 680-687.
- Deitrick, L., Tinkler, T., Young, E., Strawser, C. C., Meschen, C., Manriques, N., & Beatty, B. (2020). Nonprofit Sector Response to COVID-19. *Nonprofit Sector Issues and Trends*, 4. <https://digital.sandiego.edu/npi-npissues/4>
- Díaz, D. A. (2020). NGOs on coronavirus mode: The risks of 'business as usual', *International Relations*. <https://www.e-ir.info/pdf/83179>
- Feiler S. & Breuer, C. (2021). Perceived Threats through COVID-19 and the Role of Organizational Capacity: Findings from Non-Profit Sports Clubs, *Sustainability*, 13, 6937. <https://doi.org/10.3390/su13126937>
- Finchum-Mason E., Husted K. & Suárez D. (2020) Philanthropic Foundation Responses to COVID-19. *Nonprofit and Voluntary Sector Quarterly*, 49(6) 1129-1141. <https://doi.org/10.1177/0899764020966047>
- Gordon T. P., Knock C. L., & Neely D. G. (2009). The role of rating agencies in the market for charitable contributions: An empirical test. *Journal of Accounting and Public Policy*, 28(6), 469-484. <https://doi.org/10.1016/j.jaccpubpol.2009.08.001>
- Grønbjerg, K. A., McAvoy, E., & Habecker, K. (2020). Indiana non-profit organisations and COVID-19: impact on services, finances and staffing. *Voluntary Sector Review*, 12(1), 123-127. <https://doi.org/10.1332/204080520X16009766578527>
- Hasenfeld, Y. (2010). The attributes of human service organizations. *Human Services as Complex Organizations*, 2, 9-32
- Herbert, L. (2017). Digital Transformation: Build Your Organization's Future for the Innovation Age. London: Bloomsbury Publishing.
- Ibrahim S. S., Muhamat A. A., Ahmad M., Wan Admiza Wan Hassan & Abu Bakar A. J. (2021) Empowering NGOs and Social Entrepreneur through Digitalization for Sustainable Socioeconomic Growth of the Society: Post Covid-19. *Empirical Economics Letters*, 20 (Special Issue 2), 215-225.
- Johnson, A. F., Rauhaus B. M. & Webb-Farley K. (2021) The COVID-19 pandemic: a challenge for US nonprofits' financial stability. *Journal of Public Budgeting, Accounting & Financial Management*, 33(1), 33-46. <https://doi.org/10.1108/JPBAFM-06-2020-0076>
- Kim, M. & Mason, D. P. (2020). Are you ready: Financial management, operating reserves, and the immediate impact of COVID-19 on nonprofits. *Nonprofit and Voluntary Sector Quarterly*, 49(6), 1191-1209. <https://doi.org/10.1177/0899764020964584>
- Krueger, J. C. & Haytko, D. L. (2015). Nonprofit adaptation to Web 2.0 and digital marketing strategies. *Journal of Technology Research*, vol. 6 <https://www.aabri.com/manuscripts/152225.pdf>
- Levine, M. & McCambridge, R. (2020). The best decision ever: One nonprofit's extraordinary COVID-19 choice. *Nonprofit Quarterly*. <https://nonprofitquarterly.org/the-best-decision-ever-one-nonprofits-extraordinary-covid-19-choice/>
- Li, X. & Feng, L. (2021) Impact of donors' financial fairness perception on donation intention in nonprofit organizations after COVID-19 outbreak. *PLoS ONE*, 16(6), e0251991. DOI: 10.1371/journal.pone.0251991 <https://doi.org/10.1371/journal.pone.0251991>

Luppi, F., Rosina, A. & Sironi, E. (2021). On the changes of the intention to leave the parental home during the COVID-19 pandemic: a comparison among five European countries. *Genus*, 77(1), 1-23. <https://doi.org/10.1186/s41118-021-00117-7>

Łacka, I., & Suproń, B. (2021). The impact of COVID-19 on road freight transport evidence from Poland. *European Research Studies*, 24, 319-333. <https://doi.org/10.35808/ersj/2431>

Mansfield, H. (2014). *Mobile for Good*. New York, NY: McGraw-Hill Education.

Marcu, M. R. (2021). The impact of the COVID-19 pandemic on the banking sector. *Management Dynamics in the Knowledge Economy*, 9(2), 205-223. <http://www.managementdynamics.ro/index.php/journal/article/viewFile/416/365>

McMullin, C. & Raggo, P. (2020) Leadership and Governance in Times of Crisis: A Balancing Act for Nonprofit Boards. *Nonprofit and Voluntary Sector Quarterly*, 49(6), 1182- 1190. <https://doi.org/10.1177/0899764020964582>

Mikołajczak, P. (2021a). What affects employment by NGOs? Counteraction to precarious employment in the Polish non-profit sector in the perspective of COVID-19 pandemic crises. *Oeconomia Copernicana*, 12(3), 761-788. <https://doi.org/10.24136/oc.2021.025>

Mikołajczak, P. (2021b). Do Nonprofit Organizations Experience Precarious Employment? The Impact of NGO Commercialization. Public Organization Review. *Public Organization Review*, 21(3), 595-609. <https://doi.org/10.1007/s11115-021-00512-w>

Nandi, S., Sarkis, J., Hervani, A. & Helms, M. (2021). Do blockchain and circular economy practices improve post COVID-19 supply chains? A resource-based and resource dependence perspective. *Industrial Management & Data Systems*, 121(2), 333-363. <https://doi.org/10.1108/IMDS-09-2020-0560>

Neff, D. J. & Moss, R. C. (2011). *The Future of Nonprofits*. Hoboken, NJ: John Wiley & Sons, Inc. <https://doi.org/10.1002/9781118386781>

Okunola, J. L. & Fakunle, S. O. (2021). Community participation: a pragmatic solution to negative impacts of Covid-19 on household's socioeconomic lives. *Insights into Regional Development*, 3(4), 21-33. [http://doi.org/10.9770/IRD.2021.3.4\(2\)](http://doi.org/10.9770/IRD.2021.3.4(2))

Rottkamp, D. M. (2021). Reimagining Strategic Vision for Nonprofits. Evaluating Everything After COVID-19. *The CPA Journal*, April/May 2021, 22-27 <https://www.cpajournal.com/2021/06/01/reimagining-strategic-vision-for-nonprofits/>

Schoebel, V., Wayment, C., Gaiser, M., Page, C., Buche, J. & Beck, A. J. (2021). Telebehavioral Health During the COVID-19 Pandemic: A Qualitative Analysis of Provider Experiences and Perspectives. *Telemedicine and e-Health*. Aug, 947-954. <https://doi.org/10.1089/tmj.2021.0121>

Shafiee Nahrkhalaji, S., Shafiee, S., Shafiee, M. & Hvam L. (2018). Challenges of Digital Transformation: The case of the Non-Profit Sector. Conference Paper December 2018 <https://doi.org/10.1109/IEEM.2018.8607762>

Stefan, G., Coca, O., Creanga, D.E., Mursa, G.C., Mihai, C. (2020), The Impact of the Crisis Generated by Covid-19 on the Population Concerns. A Comparative Study at the Level of the European Union. *Transformations in Business & Economics*, Vol. 19, No 2B (50B), 703-719.

Stewart, M. J., Kuenzi, K., Walk, M., Klippel, A. (2021) States of COVID-19: Synthesis of State-level Nonprofit Reports on the Impact of the COVID-19 Pandemic. The National Council of Nonprofits, https://docs.google.com/document/d/1W17H_awYEzXU26xuSOLhAZqjdR6ej_jg64p477kGIoo/edit

The impact of COVID-19 on Nonprofits in Europe. Summary report (2020), European Fundraising Association (EFA), https://efa-net.eu/wp-content/uploads/2020/12/Nonprofit_Pulse_Summary_Report_2020.pdf

Qureshi, K., Buenconsejo-Lum, L. E., Palafox, N. A., Arndt, R. G., & Zhi, Q. (2021). A Report on the Impact of the COVID-19 Pandemic on the Health and Social Welfare in the County of Hawai 'i, Hawai 'i. *Hawai'i Journal of Health & Social Welfare*, 80(9 Suppl 1), 34.

Walker, D. (2020). The work of philanthropy in responding to COVID-19 and addressing inequality: A new foundation. *The Journal of the American Medical Association*, 324(6), 541-542. <https://doi.org/10.1001/jama.2020.12904>

Word, J. Gahre, C. (2020) Covid 19 and Nonprofits in Nevada Response, Impact and Stimulus Funding; University of Nevada, Las Vegas: Las Vegas, NV, USA.

Young, E., Deitrick, L., Tinkler, T., Meschen, C., Strawser, C., Funderburk, T., & Abruzzo, T. (2020). Unprecedented disruption: COVID-19 impact on San Diego nonprofits. <https://digital.sandiego.edu/npi-npissues/5/>

Funding: The study was conducted within the research project Economics in the face of the New Economy financed within the Regional Initiative for Excellence programme of the Minister of Science and Higher Education of Poland, years 2019-2022, grant no. 004/RID/2018/19, financing 3,000,000 PLN

Data Availability Statement: All data is provided in full in the results section of this paper.

Author Contributions: Conceptualization: *PM, JS, RS*; methodology: *PM, JS, RS*; data analysis: *RS*; writing—original draft preparation: *PM, JS, RS*; writing; review and editing: *PM, JS, RS*; visualization: *PM, JS, RS*. All authors have read and agreed to the published version of the manuscript.

Paweł MIKOŁAJCZAK is the Professor at the Poznań University of Economics and Business in Poznań, Poland Research interests: His research focus is non-profit sector studies, social entrepreneurship, non-governmental organizations, public economics, sustainable finances.

ORCID ID: orcid.org/0000-0002-7662-2565

Joanna SCHMIDT is an Assistant Professor at the Poznań University of Economics and Business in Poznań, Poland. Research interests: Non-profit organizations, human resources in NGOs, human resource management, economic and business psychology. Author of an academic textbook on the development of NGOs and articles on NGO employment and volunteering, organizational citizenship behaviour, motivation and motivating, organizational development, the role of the NGO board. She is cooperating with NGOs and public institutions providing training, consultancy and research. Deputy head of Research Center for Nonprofit Organization Management at PUEB

ORCID ID: 0000-0002-7593-5738

Robert SKIKIEWICZ is the Senior lecturer at the Poznań University of Economics and Business in Poznań, Poland Research interests: consumer behavior in the banking market, quality of banking services, business cycle analysis.

ORCID ID: 0000-0003-3099-7350

Make your research more visible, join the Twitter account of ENTREPRENEURSHIP AND SUSTAINABILITY ISSUES: @Entrepr69728810

Copyright © 2022 by author(s) and VSI Entrepreneurship and Sustainability Center
This work is licensed under the Creative Commons Attribution International License (CC BY).

<http://creativecommons.org/licenses/by/4.0/>

