



# Impacts of Disengaged Board of Directors on Organizational Governance and Efficiency: An Analysis of a Major Weakness in the NGO Sector

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**Abstract:** This article examines board disengagement as a significant governance challenge within the non-governmental organization (NGO) sector. Although NGOs may maintain formally constituted governing bodies, legal registration, reporting requirements, and organizational policies, these structures do not necessarily ensure active, informed, and accountable oversight. The article uses a comparative analysis of India and the United States to examine the relationship between formal governance requirements and substantive board practice. It first defines NGO governance and considers principles associated with good governance and effective boards. It then examines characteristics of weak and disengaged boards, individual director responsibilities, and selected legal and regulatory expectations in India and the United States. The comparison demonstrates that the two countries employ substantially different organizational and regulatory frameworks, yet both illustrate a common governance challenge: formal compliance does not by itself create an engaged governing body. Board composition, access to information, financial oversight, independence, executive accountability, and meaningful participation remain important to substantive governance. The article argues that strengthening NGO governance therefore requires attention not only to legal compliance but also to organizational practices that support informed participation, board development, accountability, and effective relationships between governing bodies and management.

**Keywords:** NGO governance, nonprofit governance, board disengagement, board effectiveness, organizational accountability, fiduciary responsibility

## INTRODUCTION

Non-governmental organizations operate across diverse social, economic, humanitarian, environmental, and community contexts. They provide services, advocate for communities, mobilize resources, support development, and respond to needs that may not be adequately addressed by governments or markets. As NGOs have become increasingly visible and increasingly dependent on public, philanthropic, governmental, and international resources, expectations for transparency, accountability, effectiveness, and responsible stewardship have also increased [1, 2].

Governance is central to meeting these expectations. The governing board influences whether an NGO remains aligned with its mission, manages resources responsibly, maintains stakeholder confidence, meets applicable requirements, and sustains its operations. Governance encompasses the structures, systems, and processes through which organizations establish direction, exercise authority, and maintain accountability [1].

The formal existence of a board, however, does not by itself establish effective governance. A board can meet legal or organizational requirements while functioning with limited substantive involvement. Disengagement may appear when directors attend meetings without adequately reviewing information, rely excessively on executive leadership, lack sufficient understanding of organizational or financial conditions, fail to question management decisions, or treat board membership as largely symbolic [2, 3]. When this occurs, the board may remain a formal governance body without functioning as an effective mechanism of oversight.

Board disengagement is important because governance weaknesses may accumulate over time. Inadequate oversight may contribute to weak financial controls, unmanaged conflicts of interest, mission drift, poor strategic decisions, excessive executive influence, noncompliance, declining employee morale, and inefficient use of organizational resources [2]. In this article, board disengagement refers specifically to insufficient participation, attention, inquiry, and oversight by directors. It is distinguished from the broader concept of board ineffectiveness, which may result from disengagement but may also arise from other factors, such as inadequate expertise, dysfunctional board structure, or unclear responsibilities.

This article examines board disengagement as a cross-national NGO governance issue, using India and the United States as two distinct regulatory contexts. The comparison is not intended to treat either country as a universal model. Rather, the two contexts illustrate how different legal traditions, organizational forms, funding structures, and regulatory systems can establish formal governance expectations while leaving substantial room for variation in governance practice. The central analytical distinction is therefore between formal governance, which establishes structures and requirements, and substantive governance, which concerns whether directors actually use those structures to provide informed, independent, ethical, and accountable oversight.

The article first defines NGO governance and explains its importance, then examines principles of good governance and characteristics associated with effective boards. It next considers characteristics of weak and disengaged boards and individual director responsibilities. The article then examines selected governance expectations in India and the United States, compares the two contexts, considers consequences associated with board disengagement, and discusses implications for strengthening governance.

### **UNDERSTANDING NGO GOVERNANCE**

NGO governance can be understood as the process through which an organization remains directed toward its mission, vision, and core values while exercising responsible stewardship over its resources, programs, and services [2]. Governance includes fiduciary and legal responsibilities as well as broader obligations of accountability and mission fidelity.

The governing board and organizational management have different but interconnected functions. The board establishes broad policy direction, provides oversight, safeguards organizational resources, and protects the mission. Management, by contrast, is responsible primarily for implementing policies and directing day-to-day operations [2]. Effective governance requires an appropriate relationship between these roles. A board that becomes overly involved in routine administration may neglect its broader oversight

responsibilities, while a board that becomes excessively detached may lack the information needed for meaningful oversight.

There is no single governance structure that applies to every NGO. Organizations vary in mission, size, legal form, funding sources, geographic reach, stakeholder relationships, and operating environment. International NGOs may also use federated, networked, or other structures that distribute authority among headquarters, country offices, members, and stakeholders [1]. Nevertheless, recurring governance expectations include accountability, transparency, responsible resource use, mission fidelity, effective decision-making, stakeholder participation, legal compliance, and oversight of organizational leadership [2].

### **WHY GOOD NGO GOVERNANCE MATTERS**

Good governance provides the framework through which an NGO directs its resources toward its mission. Financial resources and capable employees are not sufficient if decision-making structures are weak or if governing bodies do not exercise appropriate oversight. Governance therefore affects not only administrative processes but also an organization's ability to achieve and sustain its mission [2].

Governance also affects organizational credibility. NGOs interact with donors, volunteers, employees, beneficiaries, government agencies, community members, and other stakeholders who expect resources to be used responsibly and organizational decisions to be made appropriately. Transparency and accountability can strengthen confidence in an organization, while governance failures may create operational and reputational consequences [2, 3].

Kumaran [2] similarly describes governance as important to the sustainability and legitimacy of NGOs. Strong governance can support mission alignment, responsible use of resources, organizational credibility, and continued service delivery, whereas weak governance can expose organizations to financial and operational risks and can interfere with their ability to maintain mission focus.

### **PRINCIPLES OF GOOD GOVERNANCE**

Although governance practices differ across countries and organizations, several principles are consistently associated with good governance. The United Nations Economic and Social Commission for Asia and the Pacific identifies participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and the rule of law as important characteristics of good governance [4]. These principles provide a useful framework for considering governance within NGOs.



**Figure 1: [Principles of Good Governance].**

Source: UNESCAP [4].

Participation requires that relevant stakeholders have appropriate opportunities to contribute to organizational processes and decisions. Within the board itself, meaningful participation requires directors to engage with organizational issues rather than merely attend meetings. Participation is therefore closely connected to board engagement. A director who is formally present but does not review information, ask questions, participate in deliberation, or contribute to decision-making may satisfy an attendance expectation without providing meaningful governance.

Accountability and transparency are similarly interconnected. NGO boards are entrusted with organizational authority and resources and therefore must be able to explain and justify significant decisions. Transparency supports accountability by making relevant organizational information available to those with legitimate interests in the organization's activities. For boards, this includes sufficient access to financial, operational, and programmatic information to make informed decisions.

Responsiveness, effectiveness, and efficiency are also central to NGO governance. Governance structures should enable organizations to respond appropriately to changing needs while maintaining their mission. Effective governance is not simply the completion of required procedures; it involves ensuring that organizational systems actually contribute to the responsible achievement of organizational objectives.

Equity and inclusiveness are important because NGOs frequently serve diverse populations and operate within communities characterized by different needs and perspectives. Board composition and stakeholder representation can influence the extent to which organizations understand the communities they serve. Diversity can also contribute different forms of expertise, experience, and perspective to board deliberations.

Finally, the rule of law provides an important foundation for organizational accountability. NGOs operate within legal and regulatory environments that establish requirements concerning organizational formation, reporting, financial practices, fundraising, taxation, and other activities. However, compliance with legal requirements represents only one component of effective governance. An organization may meet formal requirements while still having a board that is insufficiently engaged in substantive oversight.

## **CHARACTERISTICS OF EFFECTIVE NGO BOARDS**

Effective NGO governance depends on the board's ability to function as an active, engaged, and accountable governing body. Effective directors are committed to the organization's mission and long-term sustainability, with board responsibilities extending beyond current needs to include the organization's future direction. Board recruitment and development should therefore consider the skills, perspectives, and leadership needed to advance the organization's future priorities. Appropriate recruitment, orientation, continuing education, and periodic evaluation can help directors understand their responsibilities and improve the board's overall performance [2].

There is no single model or universal set of best practices for developing an effective NGO board. Promising practices should instead be adapted to the organization's mission, structure, resources, legal environment, and stakeholder relationships. Kumaran and Cherian [2] emphasize that board development should be intentional and guided by organizational leadership, rather than focused simply on maintaining a formally constituted board. Effective boards organize themselves to work efficiently and effectively, function as collaborative teams, engage and motivate directors, focus attention on appropriate issues, use members' time effectively, and evaluate their own performance.

Board members also have legal, ethical, and moral responsibilities to the organization, including a duty to uphold its mission and act in its best interests. Conflict-of-interest policies are an important safeguard for accountability and transparency, helping organizations identify, disclose, and appropriately manage circumstances in which personal interests may conflict with organizational responsibilities. Such safeguards may include requiring directors to disclose potential conflicts during governance proceedings, establishing clear procedures for managing disclosed conflicts, and conducting annual evaluations of individual directors' engagement and contributions. Board leadership can complement these individual assessments by periodically reviewing the engagement and performance of the board as a whole, identifying areas for improvement, and determining whether additional support or corrective measures are necessary.

Board self-regulation is equally important for ensuring that governance practices remain consistent with the organization's bylaws and established expectations for director participation. One practical approach is to require each board member to complete an annual self-evaluation at the end of the fiscal year. This evaluation may assess attendance, committee involvement, participation in board meetings and deliberations, and overall commitment to the organization's mission. For example, directors might report the number of board meetings attended out of the ten held during the year, the number of committees on which they served, and the number of committee meetings they attended. These indicators can help directors reflect on whether they have fulfilled their responsibilities and identify opportunities to strengthen their contributions. When evaluations reveal consistently low levels of participation or engagement, board leadership should address the underlying circumstances and establish clear expectations for improvement. Depending on the organization's bylaws and applicable procedures, continued disengagement may ultimately warrant a director's resignation or removal. This approach reinforces the principle that board membership entails an ongoing commitment to active and responsible service rather than merely holding a formal position.

Board composition is an important component of effectiveness. Directors should collectively bring appropriate combinations of mission commitment, professional experience, financial knowledge, leadership capacity, problem-solving skills, organizational understanding, and diverse perspectives. Effective boards also facilitate collaboration through meetings and committees, allowing directors to contribute meaningfully to organizational decision-making [2].

Effective boards maintain appropriate oversight of executive leadership without unnecessarily assuming responsibility for daily management. Directors should also understand the organization's financial condition sufficiently to evaluate budgets, financial statements, resource allocation, audits, and significant financial risks. Financial responsibility does not require every director to be an accountant or financial specialist; however, it does require a board culture in which financial information is reviewed carefully and questions can be raised when information is unclear or concerns arise.

Additionally, boards should participate in strategic planning and organizational evaluation to ensure that programs and resources remain aligned with the organization's mission. Boards should also participate in the selection and evaluation of the organization's chief executive or administrative leader and monitor organizational performance while maintaining an appropriate distinction between governance and daily management.

Ultimately, board effectiveness depends on more than the individual qualifications of directors. It also depends on whether directors collectively create a culture of accountability, inquiry, collaboration, ethical conduct, and mission focus.

### **CHARACTERISTICS OF WEAK AND DISENGAGED BOARDS**

Weak governance can occur when boards exist formally but fail to perform their responsibilities substantively. Kumaran and Cherian [2] describe several patterns associated with weak boards, including directors who participate only nominally, inadequate oversight of resources, mission drift, poor communication, insufficient policies and procedures, and conflicts of interest.

One particularly important pattern is the presence of directors who are effectively 'in name only.' Such directors may fail to attend meetings, review documents, ask questions, or otherwise participate in governance. A board can therefore satisfy a formal membership requirement without providing meaningful oversight [2, 3].

Conflicts of interest can further undermine board effectiveness when personal, professional, or financial interests interfere with directors' responsibilities to the organization. When conflicts are inadequately disclosed or managed, they can compromise impartial decision-making, weaken accountability, and divert attention from the organization's mission. Regular declarations and periodic evaluations of potential conflicts of interest can help boards identify and address these risks. However, disclosure alone is insufficient; organizations must also establish procedures for assessing and managing identified conflicts.

Other signs of weak governance include founder dominance, inadequate diversity of perspectives or expertise, poor board-management relationships, and dysfunctional committees. Founder influence can become problematic when a founder is unwilling to

relinquish control or when the founder's preferences consistently override the collective responsibilities of the governing body [2].

Weak boards may also fail to establish or follow written policies and procedures. Without clear governance processes, financial controls, conflict-of-interest procedures, risk-management practices, and defined responsibilities, boards may be less able to identify problems or hold organizational leadership accountable [2]. Periodic self-evaluation can help address these weaknesses by encouraging directors to reflect on their individual contributions and the board's collective performance. Individual evaluations may assess attendance, preparation, participation in deliberations, committee involvement, and commitment to the organization's mission. Separately, board leadership can evaluate the board as a whole to identify recurring participation gaps, procedural weaknesses, and opportunities to improve collective effectiveness. These evaluations can be particularly valuable because directors may not always recognize that their involvement has become limited or that their contributions are insufficient to fulfill their responsibilities. By making participation and accountability explicit expectations, regular evaluation can help boards identify shortcomings and take corrective action before disengagement becomes entrenched.

### **ROLES AND RESPONSIBILITIES OF INDIVIDUAL NGO DIRECTORS**

Individual board members have legal, fiduciary, oversight, ethical, and representational responsibilities. These responsibilities cannot simply be transferred to management because the board's role is to provide independent governance and stewardship [2].

Four commonly discussed duties in nonprofit governance arise: good faith, care, loyalty, and obedience. Good faith concerns honest and fair conduct. The duty of care concerns informed and prudent participation. The duty of loyalty requires directors to place the organization's interests ahead of personal interests and to address conflicts of interest. The duty of obedience, where recognized, concerns adherence to the organization's stated mission and governing purposes [2, 5].

Directors also have important financial oversight responsibilities. These include supporting appropriate use of organizational funds, adopting sound financial policies, participating in responsible budgeting, monitoring financial condition, and ensuring appropriate independent auditing practices [2].

Directors should also understand that they are not expected to possess every technical skill required by the organization. Instead, effective governance requires directors to obtain sufficient information, seek clarification, and use appropriate professional expertise when necessary [2].

### **LEGAL AND REGULATORY FRAMEWORK OF NGO GOVERNANCE**

NGOs operate within legal and regulatory environments that vary across countries. Differences in organizational forms, registration requirements, taxation, reporting obligations, foreign funding regulations, and director responsibilities mean that no single legal framework can be treated as universally applicable. India and the United States provide two distinct contexts through which the relationship between formal regulation and NGO governance can be examined.

## India

India has a large and diverse NGO sector that includes organizations differing substantially in mission, size, geographic reach, organizational form, funding structure, and relationships with government and other stakeholders. Indian NGOs may operate through different legal forms, including trusts, societies, and nonprofit companies, creating a regulatory environment in which organizations can be subject to different legal and administrative requirements [3]. This diversity makes it difficult to describe a single model of NGO governance in India. Instead, governance practices vary according to an organization's mission, size, scope, stakeholders, legal form, and operating environment [3].

The diversity of the sector also creates challenges for accountability and oversight. Kumaran [3] describes the Indian NGO sector as fragmented and historically difficult to document, noting that the absence of a centralized system for comprehensively maintaining information about NGOs contributed to difficulties in understanding the sector as a whole. At the same time, the increasing involvement of NGOs in social service provision, including through grants and contractual arrangements with different levels of government, has increased scrutiny of organizational credibility, legitimacy, and governance practices [3].

### *Legal and Regulatory Structure*

Though the legal framework governing NGOs in India is distributed across multiple statutes and regulatory systems rather than a single comprehensive nonprofit governance law, it provides several legal forms through which nonprofit organizations may operate. One such framework is the Companies Act, 2013, which provides for companies with charitable and other public-benefit objects under Section 8. Section 8 permits companies to pursue objectives including education, research, social welfare, charity, and environmental protection, while requiring that profits or other income be applied toward the organization's stated objectives and prohibiting the payment of dividends to members [6].

Tax regulation represents another component of the regulatory environment for charitable organizations. The Income Tax Act, 1961 establishes requirements concerning the tax treatment of charitable organizations, including eligibility for tax exemptions, registration or approval, and related reporting requirements. Organizations seeking tax-exempt treatment and donors seeking deductions for qualifying charitable contributions must satisfy applicable statutory and administrative requirements [7, 8].

Foreign funding represents an additional regulatory consideration for Indian NGOs. Organizations receiving foreign contributions are subject to the Foreign Contribution (Regulation) Act (FCRA), which regulates the receipt and use of foreign contributions by organizations permitted to receive such funds. The Ministry of Home Affairs administers the FCRA framework, including requirements concerning registration or prior permission, designated banking arrangements, receipt and utilization of foreign contributions, and associated reporting and compliance obligations [9]. Because the FCRA framework has been amended over time, these requirements should be understood as part of an evolving regulatory environment rather than as a static system.

These overlapping regulatory systems illustrate the complexity of the environment in which Indian NGOs operate. However, formal compliance does not necessarily ensure effective governance. Kumaran [3] argues that the legal framework affecting Indian NGOs

and its regulatory requirements alone cannot guarantee good governance. An organization may satisfy registration and reporting requirements while its governing body remains insufficiently involved in organizational decision-making and oversight [3].

### ***Board Governance and Disengagement***

The governing body of an Indian NGO may be referred to as a board of directors, board of trustees, governing council, or managing committee, depending on the organization's legal form. Regardless of terminology, the governing body is responsible for providing organizational direction and oversight, including attention to policy, financial stewardship, fundraising, organizational representation, and the organization's future development [3]. Effective boards therefore contribute to organizational governance rather than merely approving decisions made by administrative leadership [3].

Kumaran [3] identifies a significant gap between these expected responsibilities and the actual involvement of some NGO boards in India. According to Kumaran [3], many NGO boards have historically been relatively inactive, with directors or trustees providing limited involvement in organizational governance. In some cases, boards approve organizational or programmatic decisions that have already been made by administrative leaders. Other directors may serve primarily as absentee or nominal members, lending their names to an organization without actively participating in its governance [3, 10].

Tandon [11], as discussed by Kumaran [3], identifies four broad forms of NGO boards in India: family boards, invisible boards, staff boards, and professional boards. Family boards operate informally and may be strongly influenced by family relationships; invisible boards consist of members who exist primarily to satisfy statutory requirements without meaningful participation; staff boards are composed substantially of organizational employees; and professional boards are intentionally constituted to provide active policy direction and governance [3]. These categories illustrate that the formal existence of a board does not necessarily indicate that substantive governance is occurring.

The distinction between these board types also highlights the importance of board composition, independence, and relationships between boards and organizational leadership. Kumaran [3] identifies founder dominance, conflicts of interest, nepotism, poor board-management relationships, and the concentration of decision-making authority among administrative leaders as governance concerns within portions of the Indian NGO sector. When governing bodies are dominated by a founder or a small group of individuals, or when directors lack sufficient independence to question organizational leadership, the board's ability to provide meaningful oversight may be weakened [3].

Board disengagement may also intersect with organizational capacity. Kumaran [3] notes that many NGOs face continuing difficulties related to fundraising, service provision, volunteer management, and human resources. For organizations struggling to sustain basic operations, governance structures and processes may receive comparatively little attention [3]. Resource constraints can therefore create additional challenges for developing organizational structures capable of supporting effective governance, although limited resources do not necessarily mean that an organization has ineffective governance.

### ***Accountability and Governance Development***

The Indian NGO sector has also experienced efforts to strengthen accountability and transparency through voluntary and sector-level initiatives. Kumaran [3] identifies Credibility Alliance as an example of an organization seeking to promote accountability and transparency through good governance practices and accreditation. The development of nonprofit information platforms has similarly increased opportunities for NGOs to disclose information about their activities and operations [3]. These efforts demonstrate that accountability within the Indian NGO sector is not solely dependent upon government regulation but can also involve voluntary standards and sector-wide initiatives.

The Indian context therefore provides an important example of the distinction between formal and substantive governance. Earlier research identified concerns regarding nominal board participation, administrative dominance, and limited substantive oversight within portions of the Indian NGO sector [3]. These concerns remain relevant to the conceptual distinction examined in this article, while the legal and regulatory environment itself has continued to evolve.

### **United States**

Although this article uses the term NGO throughout for comparative consistency, organizations operating in the United States are more commonly described as nonprofit organizations. Nonprofit status generally refers to an organizational form established under state law, whereas tax-exempt status refers to a status granted under applicable federal tax law. [12] The term NGO is retained here as a broader comparative term for organizations operating independently of government to pursue charitable, social, educational, and other public-benefit purposes. U.S. NGOs operate across diverse areas, including social services, education, health, religion, environmental advocacy, community development, and humanitarian assistance. Many are governed by boards of directors responsible for organizational oversight, stewardship of assets, and adherence to organizational purposes [5]. For nonprofit corporations, state law generally provides the primary legal framework for organizational governance, while federal tax law establishes additional requirements for organizations seeking federal tax-exempt status. Nonprofit corporations are generally established under the law of an individual state, which provides rules concerning incorporation, boards of directors, fiduciary responsibilities, and internal governance. Federal law provides a separate framework for organizations seeking tax-exempt status. For example, organizations qualifying under Section 501(c)(3) of the Internal Revenue Code must be organized and operated for specified exempt purposes and must comply with restrictions concerning private inurement and private benefit [13]. As a result, U.S. NGO governance is shaped by state nonprofit corporation statutes, fiduciary principles, organizational governing documents, and federal requirements associated with tax-exempt status [5, 13].

### ***Legal and Regulatory Structure***

State law provides the legal foundation for the governance of nonprofit corporations. State nonprofit corporation statutes generally establish the authority of boards of directors, standards for director conduct, procedures for organizational decision-making, and

requirements concerning conflicts of interest and corporate administration. For example, Florida law provides that the affairs of a nonprofit corporation are managed under the direction of its board of directors (Fla. Stat. § 617.0801, 2026) [14]. Florida law further requires directors to act in good faith, in a manner they reasonably believe to be in the best interests of the corporation, and with the care that an ordinarily prudent person in a similar position would exercise under similar circumstances (Fla. Stat. § 617.0830, 2026) [15].

Faul and Kumaran [5] identify the duties of care and loyalty as central fiduciary responsibilities of nonprofit directors and discuss the additional concept of a duty of obedience. The duty of care concerns the director's responsibility to exercise appropriate diligence and remain adequately informed when performing board responsibilities. The duty of loyalty requires directors to act in the interests of the organization and appropriately address conflicts between organizational and personal interests. The duty of obedience has traditionally been associated with adherence to an organization's stated purposes and governing documents. Faul and Kumaran [5], however, argue that obedience is better understood as a principle underlying other fiduciary responsibilities rather than as a separate, independently enforceable duty.

Federal tax law provides an additional set of requirements for organizations seeking tax-exempt status. Section 501(c)(3) organizations must be organized and operated for qualifying exempt purposes, and their net earnings may not inure to the benefit of private individuals. Federal tax law also addresses private benefit, which can arise when an organization's activities or resources improperly benefit private interests rather than furthering its exempt purposes [13].

Federal reporting requirements also contribute to organizational transparency. Organizations exempt from federal income tax under Section 501(a) generally must file an annual Form 990 or Form 990-EZ, providing information about their finances, activities, governance, and compliance [16]. Form 990 includes questions concerning the organization's governing body, independence of directors, governance policies, and disclosure practices. At the same time, the IRS notes that federal tax law generally does not require organizations to adopt particular management structures or administrative policies simply because those practices are addressed on Form 990 [16]. Thus, federal reporting can provide information about governance without establishing a single federally mandated model of board management.

### ***Board Governance and Disengagement***

Within this framework, nonprofit boards have responsibility for overseeing organizational affairs while executive leadership generally manages day-to-day operations. The IRS identifies the governing body as the group authorized under state law to make governance decisions on behalf of the organization, which ordinarily consists of the board of directors or trustees [16]. Board service therefore involves more than maintaining a formal position within the organization. Directors are expected to participate in organizational decision-making, exercise appropriate judgment, and oversee matters within the board's authority.

These expectations are reflected in fiduciary standards. Directors must exercise appropriate care in performing their responsibilities and act in the interests of the organization while addressing conflicts that may affect their judgment [5]. Florida's

statutory standards provide one example of these expectations by requiring directors to act in good faith, in the corporation's best interests, and with appropriate care [15]. The statute also recognizes that directors may rely, under appropriate circumstances, on information and professional advice from officers, employees, attorneys, accountants, and other qualified individuals. Accordingly, effective oversight does not require every director to possess specialized expertise in every area of organizational management, but it does require directors to exercise informed judgment and appropriately use available information and expertise.

These responsibilities are particularly relevant to board disengagement. A board may exist formally while individual directors participate only minimally in financial oversight, strategic decision-making, executive supervision, or organizational monitoring. Such circumstances may limit the board's ability to identify problems and respond to emerging organizational risks [5].

### ***Accountability and Governance Development***

The U.S. context demonstrates that nonprofit governance depends on both formal legal responsibilities and the manner in which those responsibilities are carried out. State law establishes the authority and fiduciary responsibilities of directors, federal tax law establishes conditions for tax-exempt status, and reporting requirements provide information concerning organizational finances and governance [5, 13, 16]. However, these requirements do not eliminate the need for active board participation.

The distinction is particularly important because federal tax law does not prescribe a single model of effective board governance. The IRS's Form 990 requirements provide transparency concerning governing bodies and organizational practices, but the IRS also recognizes that many of the governance policies addressed by the form are not themselves required by federal tax law [16]. Effective governance therefore depends partly on how directors perform their responsibilities within the legal structure established by state and federal requirements.

The U.S. experience consequently reinforces the broader distinction between formal governance structures and substantive governance practices. An NGO may have a legally constituted board, governing documents, tax-exempt status, and required reporting mechanisms while still experiencing weaknesses in financial oversight, executive accountability, or director engagement. Meaningful governance requires directors to understand organizational information, participate in decision-making, monitor executive leadership, address conflicts of interest, and ensure that organizational activities remain consistent with the organization's stated purposes [5]. A published case study of the Florida Coalition Against Domestic Violence provides a concrete illustration of why executive accountability and board oversight matter in practice. Jones, Wiley, and Beachy [17] examined the organization's governance and described concerns involving CEO autonomy and board oversight. The case is useful here as an illustrative example of the relationship between executive authority and governing-board oversight, rather than as evidence that board disengagement alone caused the organization's problems. It demonstrates how questions of accountability can extend beyond formal legal compliance to the actual exercise of board oversight and organizational checks and balances [17].

## Comparing the Two Contexts

The comparison between India and the United States demonstrates that NGO governance is shaped by national legal and institutional environments, while also revealing a common distinction between formal governance structures and substantive governance practice. The two countries differ substantially in organizational forms and regulatory mechanisms; the comparison therefore should not be understood as suggesting that their legal systems are equivalent.

In India, nonprofit organizations may operate through multiple legal forms, including trusts, societies, and Section 8 companies, and may be subject to overlapping tax, corporate, and foreign-contribution requirements [3, 6, 9]. In the United States, nonprofit corporations are generally organized under state law, while federal tax law establishes requirements for organizations seeking tax-exempt status [5, 12]. The regulatory structures are therefore different, but both contexts demonstrate that formal legal recognition does not by itself establish substantive board engagement.

The two contexts also differ in how governing bodies are constituted and described. Indian organizations may use terms such as trustees, governing councils, or managing committees depending on organizational form, whereas U.S. nonprofit corporations commonly use boards of directors or trustees. Despite these differences, the governance functions discussed in the literature include recurring responsibilities such as organizational direction, financial stewardship, oversight of leadership, mission protection, and accountability [2, 3, 5].

The comparison is therefore most useful at the level of governance function rather than legal equivalence. Formal systems establish expectations concerning organizational authority, accountability, reporting, and director responsibilities. Substantive governance depends on whether directors have access to relevant information, participate meaningfully in deliberation, exercise independent judgment, monitor organizational leadership, and remain attentive to organizational purpose.

This distinction also suggests that strengthening governance cannot depend exclusively on adding regulatory requirements. Legal rules can establish minimum expectations and reporting mechanisms, but they cannot ensure that individual directors read financial statements, ask difficult questions, challenge inappropriate decisions, or participate meaningfully in strategic oversight. Those behaviors depend partly on board composition, organizational culture, information systems, leadership relationships, and board development.

## **WHAT HAPPENS WHEN BOARD MEMBERS FAIL TO GOVERN?**

The consequences of board disengagement become particularly significant when formal governance structures exist without substantive oversight. A board may be properly constituted, conduct meetings, approve organizational documents, and satisfy reporting requirements while failing to meaningfully monitor the organization. When this occurs, the organization retains a formal governance structure but may lose part of the accountability that structure is intended to provide.

Financial consequences may include weaker review of budgets, financial statements, internal controls, resource allocation, executive compensation, and significant financial

risks. Strategic consequences may include inadequate attention to organizational weaknesses, external threats, long-term planning, and mission alignment. Operational and compliance consequences may arise when directors do not adequately monitor organizational activities, required filings, reporting obligations, conflicts of interest, or risk-management practices [2].

Kumaran and Cherian [2] identify compliance risks, operational risks, and strategic risks as relevant areas of NGO governance. Compliance risks arise when organizations fail to complete required filings, submit required reports, or meet legal and regulatory requirements necessary to maintain their organizational status. Operational risks include risks associated with client contact, client safety, service delivery, transportation, and negligence in the provision of services. Strategic risks may arise when organizations fail to recognize their weaknesses and external threats because they do not engage in adequate organizational assessment and planning.

Board disengagement may increase vulnerability to these risks when directors do not actively monitor compliance, organizational operations, and strategic direction. The relationship should be understood as a governance vulnerability rather than a deterministic causal sequence: disengagement does not necessarily produce organizational failure, but reduced oversight may make it more difficult for an organization to identify and address emerging problems.

Over time, repeated governance weaknesses may contribute to declining stakeholder confidence, inefficient use of resources, regulatory problems, reputational damage, or organizational instability. These consequences are likely to vary according to organizational size, resources, legal environment, leadership structure, and the nature of the underlying governance weakness.

### **IMPLICATIONS FOR STRENGTHENING NGO GOVERNANCE**

The comparison and literature reviewed in this article suggest that strengthening NGO governance requires attention to both formal structures and the conditions that enable directors to perform their responsibilities in practice. First, board recruitment should consider not only statutory eligibility but also mission commitment, relevant expertise, independence, financial literacy, and diversity of experience. Second, organizations should provide meaningful orientation and continuing education so that directors understand their legal, fiduciary, financial, and strategic responsibilities.

Third, boards require timely and understandable information. Financial statements, program data, risk information, executive performance information, and other materials should be provided sufficiently in advance of meetings to allow directors to review and question them. Fourth, organizations should establish clear conflict-of-interest procedures and mechanisms through which directors can raise concerns without inappropriate interference from management.

Fifth, boards should periodically evaluate their own performance, including attendance, preparation, participation, committee effectiveness, relationships with management, and attention to mission and strategy. Finally, organizations should maintain an appropriate distinction between governance and management. Directors should exercise oversight and hold executive leadership accountable while avoiding unnecessary

involvement in routine administration. These practices cannot eliminate every governance problem, but they can help reduce the gap between formal board existence and substantive board functioning.

### **CONCLUSION**

Effective NGO governance depends on both formal structures and substantive board engagement. NGOs require governing bodies capable of protecting organizational mission, overseeing resources, monitoring organizational performance, maintaining accountability, and providing appropriate oversight of executive leadership. The existence of a board, however, does not automatically produce these outcomes.

The analysis distinguishes board disengagement from broader board ineffectiveness and identifies disengagement as insufficient participation, attention, inquiry, and oversight by directors. Effective boards are characterized by active participation, informed decision-making, mission commitment, financial stewardship, accountability, appropriate independence, and constructive relationships with organizational management. Disengagement may instead involve limited participation, inadequate attention to organizational information, excessive reliance on executives, weak financial oversight, insufficient attention to conflicts of interest, and limited involvement in strategic decision-making.

The comparison of India and the United States demonstrates that formal regulatory requirements are important but insufficient. The two countries employ different organizational and legal frameworks, yet both illustrate the distinction between formal governance and governance in practice. Legal requirements can establish organizational structures, fiduciary expectations, reporting mechanisms, and minimum standards, but they cannot by themselves create an engaged board.

Strengthening NGO governance therefore requires attention to the implementation of governance responsibilities. Recruitment, orientation, continuing education, access to information, financial oversight, conflict-of-interest procedures, board evaluation, and constructive board-management relationships can help create conditions for meaningful oversight.

Ultimately, effective NGO governance depends on whether governing structures function as intended. Boards must not merely exist; they must govern. When directors are engaged, informed, ethical, and accountable, they can provide an important mechanism for protecting organizational mission, safeguarding resources, maintaining stakeholder confidence, and supporting organizational effectiveness and sustainability. The central governance challenge is therefore not simply whether an NGO has a board, but whether that board has the capacity, information, independence, and commitment necessary to perform its responsibilities in practice.

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