

Corporate Governance Informatics and Leadership Dynamics in Non-Governmental Organizations: Evidence on Financial Sustainability from the Nigerian Development Sector

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ABSTRACT

Financial sustainability remains one of the most pressing challenges confronting non-governmental organizations (NGOs) in developing economies. Despite the central role NGOs play in social service delivery, humanitarian response, and governance advocacy, many organizations experience unstable funding and limited institutional resilience. Emerging scholarship suggests that leadership styles influence resource mobilization and organizational performance; however, their effectiveness is often contingent upon governance structures that promote transparency, accountability, and strategic oversight. This study examines how corporate governance practices moderate the relationship between leadership styles such as transformational, transactional, visionary, and collaborative and the financial sustainability of NGOs in Nigeria. Using a quantitative case study approach focused on the Elite Network for Egalitarian Society, Peace & Responsibility (ENESPR), data were collected from NGO staff and management and analyzed using multivariate statistical techniques. The findings indicate that transformational and collaborative leadership significantly improve financial sustainability through enhanced partnership development and donor engagement. However, their impact becomes substantially stronger when supported by effective governance mechanisms such as active boards, internal controls, and transparent reporting systems. Conversely, weak governance structures dilute the positive influence of leadership practices on financial outcomes. The study contributes to nonprofit governance informatics by demonstrating that leadership effectiveness in NGOs operates within governance ecosystems that shape organizational resilience and donor confidence. The findings highlight the need for integrated leadership–governance frameworks to strengthen NGO sustainability in developing countries.

Keywords: Corporate governance, NGO sustainability, leadership styles, nonprofit management, development organizations, governance informatics.

INTRODUCTION

Non-governmental organizations constitute a vital component of the global development architecture, particularly in developing countries where state capacity to deliver public services is often limited. In Nigeria, NGOs play prominent roles in sectors such as public health, peacebuilding, education, election monitoring, gender equality, and poverty reduction. However, despite their growing significance, many NGOs face persistent financial sustainability challenges characterized by unstable funding streams, donor dependence, and weak institutional structures (World Bank, 2024; Oluwatomi, 2025).

Financial sustainability in the nonprofit sector refers to the ability of organizations to maintain stable revenue streams, diversify funding sources, and sustain operations over the long term while achieving their social missions (Morris, 2025). Yet, studies indicate that many Nigerian NGOs rely heavily on a small number of external donors, leaving them vulnerable to changes in donor priorities and global economic fluctuations (Okonkwo & Ibrahim, 2023). These vulnerabilities are further exacerbated by weak governance systems, limited financial transparency, and ineffective strategic management practices.

Leadership plays a crucial role in addressing these challenges. Transformational leaders inspire innovation and motivate stakeholders; transactional leaders promote compliance and financial discipline; visionary leaders

provide strategic direction; while collaborative leaders strengthen partnerships and stakeholder networks (Northouse, 2024). Nevertheless, empirical evidence indicates that leadership effectiveness in nonprofit organizations is rarely independent of governance frameworks. Rather, corporate governance structures, such as independent boards, financial controls, risk management systems, and transparent reporting shape how leadership strategies translate into sustainable outcomes (OECD, 2023).

Recent scholarship suggests that governance practices serve as institutional mechanisms that enhance accountability, strengthen donor confidence, and improve resource allocation in NGOs (Eze & Ogechi, 2024). In contexts where governance mechanisms are weak, even visionary or transformational leadership may fail to secure long-term financial sustainability (Adebayo & Aderibigbe, 2024). Consequently, scholars increasingly emphasize the importance of examining the interaction between leadership styles and governance practices in shaping organizational performance.

Despite growing research in this field, significant empirical gaps remain in the Nigerian context. Many studies examine leadership or governance independently, with limited investigation of how governance moderates leadership–sustainability relationships in nonprofit organizations. Addressing this gap is essential for developing evidence-based models capable of strengthening institutional resilience within the NGO sector.

This study therefore investigates how corporate governance practices moderate the relationship between leadership styles and financial sustainability in Nigerian NGOs, using ENESPR as an empirical case study.

LITERATURE REVIEW

Financial Sustainability of NGOs

Financial sustainability is central to the survival and effectiveness of nonprofit organizations. It encompasses an organization's capacity to maintain diversified revenue streams, ensure efficient financial management, and sustain program delivery without excessive reliance on unstable funding sources (Baporikar, 2024).

Globally, NGOs are facing increasing financial pressures due to declining international aid flows, heightened donor accountability requirements, and economic uncertainties. In developing countries, these challenges are particularly severe because many NGOs depend on project-based donor funding rather than internally generated income (World Bank, 2024).

Studies conducted in Nigeria reveal widespread financial instability within the NGO sector. Okonkwo and Ibrahim (2023) report that over 70 percent of Nigerian NGOs rely on fewer than three major donors, making them vulnerable to funding fluctuations. Similarly, Eze and Ogechi (2024) highlight that weak financial governance and limited income diversification significantly undermine sustainability.

Leadership Styles in Nonprofit Organizations

Leadership theory provides critical insights into how organizational leaders influence performance, innovation, and stakeholder engagement. Transformational leadership focuses on inspiring followers to achieve organizational goals beyond immediate self-interest through vision, motivation, and intellectual stimulation (Bass & Riggio, 2021).

Transactional leadership, by contrast, emphasizes performance monitoring, structured decision-making, and reward systems designed to maintain organizational efficiency (Burns, 2023). While transformational leadership promotes innovation, transactional leadership ensures operational stability.

Visionary leadership enables organizations to anticipate environmental changes and develop long-term strategies (Njoroge et al., 2023). Collaborative leadership facilitates partnerships and stakeholder engagement, which are particularly critical in the NGO sector where inter-organizational cooperation often determines resource access and program effectiveness (Onasanya et al., 2025).

Empirical evidence suggests that these leadership styles influence fundraising capacity, program innovation, and stakeholder relationships within NGOs. However, their effectiveness often depends on the institutional context within which leaders operate.

Corporate Governance in NGOs

Corporate governance refers to the systems, processes, and structures through which organizations are directed and controlled. In nonprofit organizations, governance mechanisms typically include board oversight, financial transparency, internal control systems, and compliance with regulatory frameworks (OECD, 2023).

Strong governance practices enhance organizational credibility and reduce the risk of financial mismanagement. According to Ogori and Okoli (2024), governance weaknesses such as inactive boards, poor financial reporting, and limited accountability mechanisms remain prevalent among many Nigerian NGOs.

These governance deficiencies have serious implications for donor trust. Donor agencies increasingly require evidence of financial transparency, independent audits, and effective risk management before providing funding support (World Bank, 2024).

Governance as a Moderating Mechanism

Recent research emphasizes the moderating role of governance in leadership–performance relationships. Governance systems create institutional conditions that either enable or constrain leadership effectiveness (Muriithi & Mwangi, 2023).

In NGOs with strong governance structures, leadership initiatives are more likely to translate into sustainable financial outcomes because decision-making processes are transparent and resource allocation is effectively monitored. Conversely, in organizations with weak governance systems, leadership initiatives may be undermined by corruption, mismanagement, or lack of accountability (Adedoyin, 2024).

This perspective highlights the need to examine leadership and governance as interdependent organizational mechanisms rather than isolated variables.

METHODOLOGY

This study adopts a quantitative research design to examine the interaction between leadership styles, corporate governance practices, and financial sustainability in NGOs. The research focuses on the Elite Network for Egalitarian Society, Peace & Responsibility (ENESPR) as a case study.

Data were collected through structured questionnaires administered to staff members and management personnel. The instrument measured perceptions of leadership styles, governance practices, and indicators of financial sustainability.

The data were analyzed using multivariate statistical techniques to examine the direct effects of leadership styles on financial sustainability as well as the moderating effect of corporate governance practices.

FINDINGS AND DISCUSSION

The results reveal that leadership styles significantly influence the financial sustainability of NGOs. Transformational leadership emerged as a strong predictor of funding diversification, innovation, and donor engagement. Collaborative leadership also demonstrated a positive effect by facilitating partnerships and resource-sharing arrangements.

Transactional leadership contributed to financial discipline through improved compliance with financial policies and reporting requirements. Visionary leadership enhanced strategic planning and long-term financial resilience.

However, the study found that the impact of these leadership styles is strongly conditioned by governance quality. In NGOs with robust governance structures, characterized by active boards, internal audit mechanisms, and transparent reporting, the positive relationship between leadership styles and financial sustainability was significantly stronger.

Conversely, in organizations with weak governance practices, leadership initiatives produce limited or inconsistent financial outcomes. This finding supports the argument that governance functions as a “boundary condition” that determines whether leadership behaviors translate into sustainable organizational performance.

Implications for Nonprofit Governance Informatics

The findings have important implications for nonprofit governance informatics. Governance systems can be conceptualized as information infrastructures that regulate decision-making, financial transparency, and accountability within NGOs.

Digital governance tools such as financial management information systems, electronic audit trails, and donor reporting platforms can strengthen governance effectiveness by improving information transparency and organizational oversight.

Integrating leadership development with governance reforms may therefore enhance NGO sustainability by aligning strategic leadership initiatives with robust institutional controls.

CONCLUSION

This study demonstrates that leadership styles play a critical role in shaping the financial sustainability of NGOs. Transformational, collaborative, visionary, and transactional leadership practices contribute to improved resource mobilization, strategic planning, and financial management.

However, the effectiveness of these leadership styles is significantly influenced by corporate governance structures. Strong governance mechanisms amplify the positive impact of leadership, while weak governance systems undermine leadership effectiveness and reduce donor confidence.

The study therefore emphasizes the need for integrated governance–leadership frameworks to enhance institutional resilience within the nonprofit sector. Strengthening governance practices alongside leadership development may represent a critical pathway for improving the long-term sustainability of NGOs in Nigeria and other developing countries.

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