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Social Accountability in Non-Profit Institutions: The Stakeholder Theory Approach in Social Impact-Based Reporting

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ABSTRACT

Social accountability is a key foundation for the legitimacy and sustainability of non-profit organizations. However, participatory and impact-based social reporting practices have not been fully adopted systematically. This study aims to analyze the influence of a stakeholder approach on the quality of social impact-based reporting in non-profit organizations. Using a quantitative approach and the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method, this study involved 127 respondents from various non-profit organizations in Indonesia that actively publish social reports. The analysis results show that a stakeholder approach that includes participation, dialogue, information disclosure, and responsiveness has a significant influence on the quality of social reporting ($\beta = 0.681$; $p < 0.001$; $R^2 = 46.4\%$). This finding supports stakeholder theory and strengthens the argument that effective social reporting depends on the active involvement of stakeholders throughout the program management process. Practically, this study suggests the need to strengthen the capacity of participatory impact-based reporting and adopt stakeholder engagement mechanisms as part of organizational governance. Thus, social reporting is not only a technical instrument, but also a strategic means to build legitimacy, transparency, and sustainable relationships with the community

Keywords: *Social Accountability, Stakeholders, Social Impact Reporting, Non-profit Organizations, Stakeholder Theory,*

INTRODUCTION

Non-profit organizations have a distinct moral and social mandate from commercial business entities; their sustainability and legitimacy depend on public trust and the social impact they generate. In this context, social accountability is a key element, encompassing not only financial reporting but also how these organizations account for the social outcomes and benefits of their programs to stakeholders (Ebrahim, 2019). However, reporting practices focused on social impact still demonstrate disparities in standards, transparency, and public engagement mechanisms, particularly in the nonprofit sector, which varies widely in objectives, resources, and governance (Costa, Ramus, & Andreaus, 2021). This issue is increasingly significant given the increasing pressure from donors, beneficiaries, governments, and the wider community for nonprofits to be more transparent and responsive to the results of their social work (Bryce, 2020).

The main problem raised in this study is: how can non-profit organizations implement the principles of social accountability through a stakeholder theory approach in their social impact-based reporting practices? This question is relevant in the context of increasing demands on non-profit organizations to address the multidimensional needs of diverse stakeholders, who desire not only activity or financial reports but also meaningful, measurable, and participatory impact reports (Benjamin, Misra, & O'Brien, 2022). The complexity of this problem lies in the interaction between diverse stakeholder expectations, limited institutional capacity, and the absence of a standard reporting framework that systematically integrates social accountability (LeRoux & Wright, 2020).

Various previous studies have discussed the accountability of non-profit organizations, but the majority have focused on financial reporting, performance evaluation, or managerial efficiency (Wellens & Jegers, 2021). Few studies have explicitly integrated stakeholder theory with a social impact-based reporting model as the primary accountability instrument. This is where the novelty of this research lies: the development of a conceptual framework that positions social impact reporting not merely as an administrative obligation but as a strategic means of building meaningful reciprocal relationships with stakeholders (Freeman, Harrison, & Wicks, 2019).

Therefore, the main objectives of this study are to (1) analyze how stakeholder theory can be operationalized in the context of social accountability of non-profit organizations, (2) identify key elements in social impact-based reporting that are relevant to stakeholder needs, and (3) develop a conceptual reporting model that can strengthen transparency, participation, and social legitimacy of non-profit organizations (Costa et al., 2021; Ebrahim, 2019). This research is expected to provide conceptual and practical contributions in developing a more inclusive and value-oriented social accountability system (Benjamin et al., 2022).

Research Hypothesis

Based on the literature review and the stakeholder theory framework, it is clear that social accountability in non-profit organizations is inextricably linked to the dynamic relationship between the organization and its stakeholders. Stakeholder theory, developed by Freeman (1984) and expanded upon by Freeman, Harrison, and Wicks (2019), emphasizes the importance of considering the interests of all actors impacted by the organization's activities, including not only investors but also communities, beneficiaries, donors, and regulators. In the context of non-profit organizations, these stakeholders have complex interests, some related to the transparency of fund use, while others focus on the social effectiveness of the programs implemented. Therefore, active stakeholder involvement in the planning, implementation, and reporting processes is key to enhancing the institution's social accountability.

Several studies have shown that organizations that implement participatory approaches and strong stakeholder engagement tend to have better social reporting practices, meaning they are more inclusive, reflective of impacts, and responsive to stakeholders' information needs (Ebrahim, 2019; Costa, Ramus, & Andreaus, 2021). For example, a study by LeRoux and Wright (2020) showed that stakeholder involvement in determining impact indicators contributes to increased credibility and utility of social reports. Meanwhile, Benjamin, Misra, and O'Brien (2022) found that social accountability based on open dialogue between institutions and stakeholders results in more contextual reporting and strengthens organizational legitimacy.

Taking into account the theoretical framework and empirical evidence, the hypothesis in this study is formulated as follows:

H_1: The higher the implementation of stakeholder principles in the management of non-profit organizations, the higher the quality of social impact-based reporting produced.

This hypothesis emphasizes a positive relationship between a stakeholder approach and the quality of social reporting, with reporting indicators including transparency, participation, information relevance, and adherence to social values. Furthermore, good reporting quality is also considered a strategic tool for strengthening organizational relationships with stakeholders and building moral and social legitimacy in the public eye (Wellens & Jegers, 2021).

METHODS

This study uses a quantitative approach with an explanatory research design to examine the effect of implementing stakeholder principles on the quality of social impact-based reporting in non-profit organizations. This approach was chosen because it can objectively explain the causal relationship between independent and dependent variables (Sugiyono, 2021). This research is also supported by stakeholder theory as the main conceptual foundation, operationalizing the concept into the dimensions of stakeholder engagement, participation in indicator formulation, information transparency, and integration of social aspirations into reporting.

The population in this study were non-profit institutions active in the social and humanitarian fields in Indonesia, which had published annual reports or impact reports within the last three years. The sampling technique used a purposive sampling method, with the following criteria: (1) the institution is a legal entity, (2) has a formal organizational structure, and (3) actively publishes social reports or impact reports. The target sample was a minimum of 127 respondents consisting of reporting managers (program managers, M&E managers, and the institution's secretariat). Primary data were collected through an electronic questionnaire with a Likert scale of 1–5, which measured respondents' perceptions of stakeholder implementation indicators and reporting quality.

The research instrument was developed based on indicators adapted from previous studies (Ebrahim, 2019; Costa et al., 2021). Its validity and reliability were then tested using construct validity (CFA) and Cronbach's Alpha reliability with a threshold of 0.7. To ensure the data were free from classical assumption bias, normality, multicollinearity, and heteroscedasticity tests were performed.

The collected data was analyzed using Structural Equation Modeling (SEM) with the aid of SmartPLS 4.0 software, which is capable of handling models with latent indicators and providing simultaneous estimates of relationships between variables. SEM was chosen because this approach is capable of testing complex theoretical relationships and accounting for measurement error of each indicator (Hair et al., 2021).

The analysis model consists of two main variables:

1) Independent variable: Implementation of Stakeholder Principles (indicators: participation, active involvement, stakeholder dialogue, process transparency)
2) Dependent variable: Quality of Social Impact Reporting (indicators: relevance, transparency, participatory, results-based, and social value alignment)

The analysis steps include:

1) Evaluation of the measurement model (outer model) to test the convergent, discriminant, and reliability validity of the construct;
2) Evaluation of the structural model (inner model) to test the strength of the relationship between variables (path coefficient), R^2 value, and significance value (p-value);
3) Hypothesis testing by looking at the significance of the influence path between the stakeholder approach and the quality of social reporting, with a significance limit of <0.05.

The results of the analysis are interpreted based on the strength of the relationship and the predictive contribution of the stakeholder approach to report quality, and are linked back to the theoretical framework and previous studies.

RESULTS AND DISCUSSION

In conducting this research, researchers collected data from a total of 127 respondents from various non-profit organizations operating in Indonesia. The selected respondents were selected based on specific inclusion criteria, such as institutional legality, active involvement in social reporting activities, and experience in impact-based program management. Therefore, the collected data is considered representative of the actual state of social reporting in non-profit organizations that have established measurable reporting and accountability structures.

To process and analyze the collected data, a quantitative approach based on Structural Equation Modeling with Partial Least Squares (PLS-SEM) was used. This technique was chosen because it is capable of handling complex conceptual models and is suitable for data with moderate sample sizes. The analysis process was carried out using the SmartPLS version 4.0 application, a popular statistical software for multivariate data processing based on structural modeling.

The analysis process consists of two crucial stages. The first stage is an evaluation of the measurement model (outer model), which aims to test the extent to which the variable indicators are able to represent the latent constructs validly and reliably. The second stage is followed by testing the structural model (inner model), which focuses on examining the relationships between latent constructs and measuring the extent to which the independent variables influence the dependent variable. Through these two stages, the research not only assesses the quality of the instrument but also empirically tests the strength and significance of the proposed theoretical model.

1. **Evaluation of the Measurement Model (Outer Model)**

The results of the initial analysis, namely the outer model testing, showed that all research indicators used to measure the latent constructs performed very well. Each indicator showed a loading factor value above 0.70, indicating a high correlation with the construct it represents, in accordance with the minimum criteria recommended by Hair et al. (2021). Furthermore, the Average Variance Extracted (AVE) value for each construct also exceeded the threshold of 0.50, indicating that more than half of the variance in these indicators can be explained by their respective latent constructs. This evidences that each construct has adequate convergent validity.

On the other hand, the Composite Reliability (CR) test showed a value above 0.80 for all constructs, indicating that the instrument used has high internal reliability and is consistent in measuring the same construct. CR provides a more accurate alternative measure than Cronbach's Alpha in the context of SEM-PLS because it takes into account the weighting of different indicators (Hair et al., 2021).

Furthermore, to ensure that the constructs in the model can be statistically distinguished from each other, a discriminant validity test was also conducted. In this test, the results showed that the square root of the AVE (√AVE) for each construct was higher than the correlation value between the construct in question and the other constructs. This indicates that each construct has sufficient uniqueness and does not overlap significantly with other constructs, so that discriminant validity has been achieved. With the fulfillment of convergent and discriminant validity, it can be concluded that the measurement model used in this study is of very good quality and is suitable for use in the next stage of structural analysis. The following table shows the research results from the description above.

Construct	AVE	CR	Average Loading	Information
Stakeholder Approach	0.632	0.879	0.74–0.82	Valid and Reliable
Impact Reporting Quality	0.689	0.894	0.71–0.85	Valid and Reliable

2. **Structural Model Evaluation (Inner Model)**

After the measurement model (outer model) demonstrated adequate validity and reliability, the analysis process continued to the structural model testing stage (inner model) to examine the relationships between latent constructs in accordance with the research hypothesis. In this stage, the main focus was to evaluate the strength and significance of the influence path of the independent variable, namely the stakeholder approach, on the dependent variable, the quality of social impact-based reporting. The results of the analysis using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method showed that the stakeholder approach had a positive and statistically significant influence on the quality of social impact reporting.

Quantitatively, the path coefficient obtained was 0.681, indicating a strong direct influence of the stakeholder approach variable on reporting quality. This value is supported by the t-statistic test result of 13.442 and a p-value of 0.000, which is far below the significance limit of

0.05. Thus, hypothesis H_1, which states that the stakeholder approach has a significant effect on the quality of social reporting, can be convincingly accepted. This indicates that the higher the level of application of stakeholder principles such as participation, information disclosure, and two-way dialogue, the higher the quality of social reporting produced by non-profit organizations.

Furthermore, the coefficient of determination (R^2) evaluation results showed a value of 0.464, meaning that 46.4% of the variation in the quality of social impact reporting can be explained by the stakeholder approach variable. This value is quite large in social research, indicating that the model has good predictive power. Meanwhile, the remaining 53.6% can be assumed to come from other variables outside the model, such as institutional capacity, information technology support, or pressure from donors and the public.

These findings demonstrate that the stakeholder approach is not only conceptually relevant but also has a tangible impact in the operational context of social reporting. These results also reinforce previous literature emphasizing the importance of stakeholder participation as a foundation for building a responsive, relevant, and credible social reporting system (Costa et al., 2021; Freeman et al., 2019; Benjamin et al., 2022). Thus, the results of this structural model not only answer the proposed hypothesis but also provide an empirical contribution to the development of governance practices focused on sustainable social accountability. The following table illustrates the research.

Path of Influence	**Coefficient**	**t-Statistic**	**p-Value**	**Decision**
Stakeholder Approach → Quality of Impact Reporting	0.681	13,442	0.000	Significant (H_1 accepted)

The Q^2 (predictive relevance) value is also > 0, indicating that the model has predictive relevance to the dependent construct.

These results confirm that the higher the level of implementation of stakeholder principles, including participation, information transparency, two-way communication, and responsiveness to stakeholder input, the higher the quality of social impact reporting by nonprofit organizations. This aligns with the findings of Ebrahim (2019) and Costa et al. (2021) that organizations that actively involve stakeholders in the reporting process demonstrate stronger transparency and social accountability.

In other words, quality social impact reporting results not only from an institution's technical capability in preparing reports, but also from constructive interactions and engagement between the organization and its key stakeholders (Benjamin et al., 2022). Reports that reflect stakeholder voices tend to be more relevant, credible, and have a high level of social legitimacy.

CONCLUSION

This study demonstrates that adopting a stakeholder approach significantly enhances the quality of social impact reporting in nonprofit organizations. Using PLS-SEM analysis, the findings reveal that stakeholder engagement—through participation in program development, two-way communication, information transparency, and organizational responsiveness strongly contributes to reporting quality (path coefficient = 0.681, p < 0.001). Stakeholder involvement is not merely a communication tactic but a core element of governance and accountability, shifting reporting from a one-way administrative process to a dialogic, impact-based, and morally accountable practice. This reinforces the horizontal accountability framework, emphasizing that when stakeholders—such as beneficiaries, communities, donors, and partners—are treated as active subjects rather than passive recipients, organizations produce more inclusive and socially relevant reports. Practically, this calls for participatory, values-driven reporting systems, including interactive communication channels, co-developed impact indicators, and stakeholder testimonials to build public trust and social legitimacy. However, successful implementation also requires organizational capacity, such as robust information systems, competent personnel, and inclusive cultures. Despite its quantitative limitations, this study offers valuable insights, and future research using qualitative or mixed methods is recommended to explore contextual and informal dynamics. Overall, stakeholder integration in reporting enhances transparency, strengthens organizational sustainability, and positions stakeholders as strategic partners in generating real and lasting social impact.

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