

## The NGOs and Covid 19 Pandemic: A New Challenge for Charitable Giving and NGOs' Mission Models

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**crossref** <http://dx.doi.org/10.5755/j01.ee.33.2.30005>

Since the beginning of 2019 all organisations, including non-profit organisations, have had to learn how to deal with completely new challenges caused by the Covid-19 pandemic. Our paper aims to show to what extent the Covid-19 pandemic has changed the mission models of NGOs in areas such as types of beneficiaries, type of services, channels of communication, funding streams, key activities, and key partners. In order to reach this aim, we conducted a theoretical analysis of the charitable giving and models of NGOs activity and adopted a questionnaire survey methodology. A total of 575 NGOs from Poland, Croatia, and Lithuania participated in the study. Our study has found that the impact of the pandemic on NGO mission models varies and that pandemic can have a dual effect on the financial situation of NGOs. Despite the difficulties, some organizations gained from the pandemic (mainly those operating in the health and social care), and others lost.

Keywords: *Non-Profit Organisations, Covid-19, NGO's Mission Models, Funding, Donations.*

### Introduction

Philanthropic organisations support governments in their missions by being partners rather than competitors (Waniak-Michalak, 2014). At the same time, NGOs affected by the effects of the crisis now are forced to take action on their own to assure the resilience of their activities. Various not-for-profit organisations have begun to report problems in fulfilling their mission goals during the Covid-19 pandemic. NGOs working in education had to change aid distribution channels, topics, beneficiaries. The fixing of government negligence has become their top priority. The problems caused by isolation, loss of income for many households, and redistribution of remaining resources (shifting priorities) have significantly increased (Vivier Le Got, 2021). The Covid-19 pandemic has created a crisis unlike any before it because, in addition to the economic impact, it has also caused isolation and a lack of mobility. All organisations had to learn how to deal with completely new challenges, including the need to implement new sanitation procedures, the change to remote working, and the need to upgrade competencies related to using new technologies quickly.

Previous studies concerning non-profit organisations during the other financial crisis in history have shown that financial problems can affect NGOs differently (Hanfstaengl, 2010). Some non-profits are more sensitive to crises than others (Soyon Lee, 2013; Heist & Vance-McMullen, 2019; McCambridge & Dietz, 2020). It has also been found that

non-profit organisations in different countries face different challenges (Connolly & Wall, 2011; McCracken, 2013; Brooks, 2018; Fleta-Asin & Munoz, 2020;). However, in recent years, all types of non-profit organisations worldwide have met the global COVID-19 pandemic crisis. Recent works showed new barriers to maintaining NGOs' activity continuity due to the global COVID-19 pandemic (Johnson *et al.*, 2020; Sarea & Bin-Nashwan, 2020; Shehzad *et al.*, 2020; Sorly *et al.*, 2021). While these studies give interesting results on how NGOs deal with challenges enforced by crisis, empirical studies that analyse NGO activities and NGOs' sources of financing in different countries in times of the current pandemic COVID-19 situation are still scarce. There is, therefore, a gap in the literature. We believe that the Covid-19 pandemic has changed the mission models of NGOs, but to a different extent, depending on the country and the area of NGO's activity.

The aim of our paper is to show to what extent the Covid-19 pandemic has changed the mission models of NGOs in areas such as types of beneficiaries, type of services, channels of communication, funding streams, key activities, and key partners. We will use in the paper the concept of Osterwalder and Black (2016) and we will name the models of NGOs operating as mission models instead of business models. We believe as Osterwalder and Black (2016) do, that NGOs don't orient activities towards making money, increasing the value of the company, but use resources and a budget to solve a particular problem and

create value for a set of beneficiaries (customers, support organisations, warfighters, congress, the country, etc.). For such organisations, some of the canvas boxes need to be replaced by others, as they do not exist or are not relevant in NGOs. Examples are: customer segments (changed to beneficiaries), customer relationships (changed to buy-in/support labelled revenue streams), distribution channel changes (changed to deployment).

Based on some of the previous relevant literature, we assume that there is an association between the change of NGOs' mission and funding in pandemic Covid-19 and the beneficiaries' segments and NGOs characteristics.

To verify the hypothesis, we conducted an online survey of NGOs in Poland, Croatia, and Lithuania. The survey was conducted with a randomly selected group of NGOs. For this purpose, we performed interval estimation for structure indicators (assumed confidence level: 95 %) and  $\chi^2$  test of independence (assumed significance level: 5 %).

Our study has found that the impact of the pandemic on NGO mission models varies and is it is not associated with the type of beneficiaries or other NGO characteristics (such as size, region of operation, etc.) as we assumed. Some NGOs have improved their financial results under restrictions, perhaps by reducing the activities of other organisations or by factors we did not take into account. The most important finding in our study is that a pandemic or economic crisis can have a dual impact on the financial situation of NGOs. The empirical results confirm McCambridge and Dietz's (2020) earlier research that some types of non-profit organisations never fully recover, while others end up in better shape after a crisis. Most organisations assumed that the constraints would be temporary and decided not to change their mission models while waiting for a "return to normality."

This study investigates the impact of the COVID-19 pandemic on various non-profits in the three countries. It provides empirical evidence and contributes to the literature by examining the effects of the global COVID-19 pandemic crisis in the non-profit sector. This study contributes to the current debate on the problem of the COVID-19 pandemic on the activities of NGOs'. Understanding the problem faced by non-profit organisations is essential not only to non-profit organisations but also to the government and to other stakeholders. This study seeks to highlight the challenges that non-profits currently face and contributes to the scarce literature on the effects of COVID-19, especially when non-profit organisations are considered.

The paper is organised as follows. The paper reviews charitable giving in social theory, followed by reviewing previous studies specifically of charitable giving in financial crisis. The paper then presents models of NGOs activity – canvas model. The next section explains the hypotheses and research methodology followed by results analysis. The final section consists of a discussion and conclusions.

### **Charitable Giving in Social Theory**

According to Trivers' theory (Trivers, 2006) of reciprocal altruism, people help others when they can expect the help to be repaid in the future by the recipient. The desire to help may also result from education, culture, and the environment. However, the Covid-19 pandemic may have

changed donor behaviour and expectations towards others. Increased income uncertainty, changing living conditions, and large health costs have potentially affected both subjective well-being and decisions to support NGOs (Giovanis & Ozdamar, 2020). Not all NGOs and their areas of activity may have been equally affected by the Covid-19 pandemic. As other research indicates, people may be more willing to help others in stressful and crisis situations (Vieira *et al.*, 2020). Other studies indicate that people during the Covid-19 pandemic targeted their support mainly to local communities, acting more selfishly than altruistically. Aid to NGOs operating abroad and across the country dropped by half (Grimalda *et al.*, 2021).

The exchange theory formulated by Peter Blau (Cook *et al.*, 2013) explains that people help others not to gain the gratitude of the beneficiaries but to gain the recognition of their counterparts who participate in the philanthropic campaign. Donations should bring social recognition, especially ordered by rich people or entrepreneurs. This theory dictates new questions, such as whether the need for recognition changes depending on economic conditions (as in the financial crisis) and social, cultural, and political conditions. Clark (1997) points out that compassion and philanthropy also have a cultural dimension. Culture determines the rules controlling empathy and the situations in which it should be demonstrated. Then external factors may have a different impact on the dimension of charity, i.e., economic situation, political conditions. Thus, we can expect a different impact of a pandemic on charity in different culturally diverse countries.

The most relevant theory from the point of view of the impact of the pandemic on NGO philanthropic activities is the social problem perspective theory. Maris (1988) argues that a social problem reflects a pattern of behaviour or social conditions perceived as a threat to society. Social problems can be defined by the state or the NGO sector, among others, to prepare actions to address them. To solve these problems, NGOs or the government may manipulate people's emotions by influencing their behaviour.

For this reason, we believe that the Covid-19 pandemic has changed the mission models of all NGOs, but to a different extent, depending on the country (and cultural conditions, imposed restrictions due to the pandemic, and epidemiological situation) and the area of NGO's activity. Stress and fear of loss of life may have caused an increase in altruism (according to the theory of reciprocal altruism), but to the greatest extent for NGOs operating locally and solving the problems of greatest concern to people today. At the same time, some NGOs or governments may have acted less ethically, reinforcing the fear of the virus and encouraging support for certain initiatives (social problem perspective theory).

### **Charitable Giving in the Financial Crisis**

Financial resources are among the most critical resources that non-profit organisations (NGOs) depend on, and they are essential for NGOs to achieve their mission-related goals (Lin & Wang, 2016; Michalski *et al.*, 2018), so the financial crisis is tough for NGOs' activities. In early 2009 (a period of the marked global financial crisis), several non-profit organisations (NGOs) have reported substantial

reductions in their funding, and they were concerned that this threatens their ability to deliver the services and activities that are required (Hanfstaengl, 2010). The financial crisis causes fundraising to become more difficult, and on the other hand, at the time of financial crisis, there is a growing demand for the services of many charities.

Throughout history, there have been multiple financial crises that have affected the non-profit sector. Financial crisis can affect NGOs in three different ways : (1) some organisations may experience an increase in charitable giving but simultaneously experience an increase in demand for their services, (2) some organisations may experience an increase in demand for their services without experiencing an accompanying increase in charitable giving and (3) some organisations may experience such a steep decline in charitable giving that their very survival is put in jeopardy, regardless of whether the demand for their services increases (Soyon Lee, 2013). However, the 'real' impacts of financial crisis upon charitable giving do not have to give a straightforward causal relationship because charitable giving is not a simple financial transaction, it is the first and foremost social activity that enables people to support the causes they believe (Breeze & Morgan, 2009), wherefore a set of studies focus on the relationship between financial crises and charitable giving.

The impact of financial crises on NGOs' activities and charitable giving was corroborated by several empirical studies. Breeze and Morgan (2009) in their study found that the financial crisis is undoubtedly a substantial issue for the NGOs. Still, they have shown that there is no basis for assuming that all charities will experience reduced income and for assuming a universal pattern of increased demand. They emphasise that the non-profit sector is simply too diverse for such assumptions to be meaningful. Brown and Rooney (2010) show that some charitable giving does go up during crisis years, but they point up that in every type of crisis analysed, giving was strongly associated with economic factors. Only a few instances were given associated with crisis events.

Reich and Wimer (2012) found that charitable giving (giving from foundations and individual giving) decreased during the recession years of 2008-2009. The same results emphasise Shaefer and Boudreaux (2012). Regardless, charitable giving has declined during the crisis years, Shaefer and Boudreaux (2012), in their study, indicate that Americans have historically remained steady in their charitable giving, even during economic recessions.

Marx and Carter (2014) examined the factors influencing US charitable giving during the crisis in 2007, and their results indicate the continuing importance of combined purpose agencies in assisting the needy in hard times. They also point out the growing importance of computer ownership.

The Great Recession's impact on charitable giving was also examined by Meer, Miller, and Wolfsburg (2017) and they found declines in overall donative behaviour. They find that shocks do not account for donative behaviour to income or wealth because they find a reduction in charitable giving even when controlling tastes for altruism that do not shift over time. Their findings provide evidence that other factors, like changing attitudes towards giving or increased uncertainty, explain much of the fall in charitable giving

during the financial crisis. Brooks (2018) analyses how the Great Recession affected charitable giving and finds that the financial crisis impacted giving patterns by depressing price elasticity and increasing income elasticity.

Heist and Vance-McMullen (2019) analysis of donor-advised activities during recession conditions in the non-profit sector and they find that grant-making from donor-advised funds is less affected by the financial crisis than other forms of charitable giving. Godfrey and Williamson (2020) show that reductions to charitable giving during financial crisis years are not as large as fundraisers' initial predictions suggest. They find that the number of donors remains the same in the financial crisis, but the average donation drops. They also showed that giving to individuals first increased but then fell as reductions in household income took hold during the financial crisis.

McCambridge and Dietz (2020) analysed the effects of the Great Recession on NGOs' activity and found that some non-profit organisational types never fully recovered, while others ended up in better shape after recovery. More precisely, large non-profits ended up gaining ground while smaller non-profits lost ground during and after the recession. They also analysed closure rates during the recession and financial crisis and found that closure rates were highest for international, public, societal benefit, religious and mutual/membership organisations, and the lowest closure rates for human services organisations and environmental public charities.

Johnson, Rauhaus and Webb-Farley (2020) try to understand how the financial crisis in COVID-19 might affect the NGOs' activity in the US and find that earned revenues are down significantly as NGOs remain closed or closed at reduced capacity. They emphasise that federal government grants and contracts have not been aimed specifically at the non-profit sector, but they find that charitable contributions from large foundations, corporations, and individual givers have increased with some added flexibility. According to them, this may not be a viable source for many smaller or community-based organisations. Sarea and Bin-Nashwan (2020) empirically explored donors' responses to fundraising appeals during the COVID-19 crisis, and the results show that charity projects and trust in charities have a significant relationship with donors' attitudes toward fundraising and charitable giving in the time of the COVID-19 crisis.

Before the COVID-19 pandemic, the NGO (non-governmental organisation) sector was growing worldwide in terms of the number of organisations, employment, and revenue. Today, some researchers state that the health crisis that befell due to COVID-19 has imperatively originated the financial crisis globally that will deepen and affect all sectors of the economy (Shehzad et al., 2020). Not only individual donors, governments but also businesses can be worried more about staying afloat than that doing good. Then, NGOs will lose their resources to help. In Europe, the previous economic crisis appeared in 2006. Its second wave hit in 2010, forcing governments to impose more budgetary cuts (Pennerstorfer et al., 2020; Vis et al., 2011). Previous studies on the economic crisis show that in some countries, the government decided to reduce the amount of grants available to NGOs, offering other kinds of support instead. In the UK, many NGOs helping women victims of violence

either had to stop their activities or reduce personnel when funds became less available because of a smaller amount of money being pursued by a greater number of competitors (McCracken *et al.*, 2013). On the other hand, the Greek government received money from the European Social Fund to carry out projects in cooperation with NGOs, which aimed to help women who increasingly often met with brutal treatment as the crisis intensified (McCracken, 2013).

Nevertheless, many NGOs had to adjust their activities to the new situation. The literature frequently discusses the economic circumstances affecting private donations to NGOs (Hamdar *et al.*, 2018; Michon & Tandon, 2012) and the relationship between economic crisis and the cooperation between local governments and private organisations (Fleta-Asin & Munoz, 2020; Connolly & Wall, 2011). The global financial crisis has been found to have reduced the number of projects undertaken by partnerships of NGOs and local governments. It also happened because the private-public partnerships had more problems in raising funds. The financial crisis made governments cut down on various types of expenses, in the wake of which the non-profit organisations had to restrict the scope of their activities. Statistics show that hundreds of arts organisations closed in Britain after local governments reduced their support for the arts by 7.25 % in 2011 and 2012 because of the financial crisis (Waniak-Michalak, 2014). Many NGOs had to accept the fact that they would deliver fewer services of lower quality (Bennett, 2014). It has also been found that non-profit organisations affected by budget cuts tend to use unpaid work more frequently (Mano & Giannikis, 2012). Some researchers have concluded that in a period of economic downturn there is a tendency to replace charities with social enterprises, as the former use mainly grants and donations to finance their activities, which are less available (Kucher, 2012).

However, NGOs tend to be more active in times of epidemic or disaster. People realise that the government cannot eliminate or mitigate the negative impacts of economic crises, wars, natural disasters, and social inequalities (Waniak-Michalak, 2014), whereas the government understands that non-governmental organisations are usually more effective in delivering social services because they are founded by the residents of local communities who better know their needs and problems than the state agencies. This established pattern is at risk of being disturbed by a financial crisis, which is expected to follow the current pandemic. As many government responsibilities, including the payment of pensions and benefits, cannot be delegated to NGOs, the realisation of this and the wide range of services offered by local governments may cause people seeking assistance to rely more on public administration in the future (Waniak-Michalak, 2014).

Some questions arise against the background of previous studies concerning the current pandemic COVID-19. It would be crucial to investigate how the current economic, social, and health crisis will affect NGOs' mission models and funding. This crisis is different from the previous financial crisis in the years 2008-2010. This crisis covers all areas, not only economic but also social and health-related. Some NGOs could change their business profiles and the importance of issues related to the COVID pandemic could cover other health and environmental problems that NGOs have so far been struggling with. It

should be taken into account that marginalisation of other diseases, disasters, and human suffering can bring further negative consequences. It is necessary to determine the perspectives of the development of NGOs and ways to prevent side effects of a pandemic, to maintain a balance in eliminating social problems resulting from various causes, not only pandemic ones. Marginalisation of other diseases and environmental and social problems in COVID-19 may bring negative consequences in the future and some social and environmental problems may remain without the support of NGOs during a pandemic.

### **Models of NGOs Activity – Canvas Model**

NGOs are required to prove that the resources they have received from donors have been used to meet their stated goals (Moreno-Albarracin *et al.*, 2021; Waniak-Michalak, & Michalak, 2016). The activities of each organisation can be described by elements of the business model such as: position, company's or product values, infrastructure, customers, and finance. The choice of types and scope of individual components of the business model determines the strategy of the entity, its specificity, and originality.

Osterwalder and Pigneur developed the Business Model Canvas in the early 20th century, creating a management tool for managers of various organisations. Since then, various model modifications have been developed for different industries (i.e., Strulak-Wojcikiewicz *et al.*, 2020; Hanafizadeh & Marjaie, 2021), and not-for-profit organisations (Osterwalder & Blank, 2016).

The concept of a revised Business Model Canvas was put forward by Osterwalder and Blank (Osterwalder, 2016). The canvas consists of 9 elements which Osterwalder and Blank refer to as the building blocks. This concept enables a comprehensive investigation of how organisations function and allows for an in-depth analysis of the way they create value.

Osterwalder and Blank changed some of the original business model canvas elements. They distinguish the following elements for NGOs' functioning: 1. beneficiaries' segments (types of beneficiaries, i.e., children, adults, other NGOs, entrepreneurs, and others) corresponding to "customer segments" in the traditional business model; 2. value proposition (type of services, i.e.: education, financial support, mental support, rehabilitation, health care, sustainable investment, and others discovered during the research or ways of help, i.e.: in cash or in kind, direct or indirect); 3. channels of communication (websites, social media, conferences and events, publications, TV and radio, and others discovered during the research); 4. types of relationships with donors and beneficiaries (i.e. short-term or long-term, direct or indirect); 5. funding streams (charitable, trading, public grants, corporate donations, and others); 6. key resources (the most important assets); 7. key activities (what is the main goal of the organisation, did it change? evolve?); 8. key partners (public agencies, other NGOs, main corporate donors); 9. cost structure (statutory costs, trading costs, salary, donations, or investment).

The purpose of our study is to determine to what extent and in what direction NGOs' mission models have changed and may change. The Covid-19 pandemic will change the community's needs, intensify problems that did not exist

before the pandemic, but most importantly, it will change the way organisations operate and raise funds. These changes have certainly affected and will continue to affect NGOs, which have lost the ability to raise funds at public fundraising events. As some authors underline, the support from governments has also declined (Gilbertson Wilke *et al.*, 2020). Furthermore, the ability of some NGOs to continue to operate without a significant change in their mission models may be at risk. A large proportion of NGOs rely on volunteer work, which may not be possible during a pandemic and the need to reduce interpersonal contacts (Sørly *et al.*, 2021). Moreover, cooperation between different NGOs, especially international cooperation, may not be possible. Restrictions on the travel movement of goods and people may limit the scale of NGOs' activities (Sørly *et al.*, 2021).

### **Hypotheses Development**

McCambridge and Dietz (2020) found that certain types of non-profit organisations (mostly small and young organisations) are more likely to lose financial stability during a crisis. According to them, international, public, social benefit, religious, and mutual/membership organisations were the least successful in the financial crisis. The most successful were human services organisations and environmental public charities. Based on social problem perspective theory, NGOs whose activities were related to the removal or mitigation of the pandemic's consequences and prevention activities may have experienced different effects of the Covid-19 pandemic than other organisations. Therefore, we formulate the main hypothesis: *There is an association between the change of NGOs' mission models and funding in pandemic Covid-19 and the beneficiaries' segments and NGOs characteristics.* We consider the following components of mission models: beneficiaries' segments; value proposition, key partners. We distinguish the following beneficiaries' segments according to the type of beneficiary: children, women, animals, handicapped, elderly people, entrepreneurs, the whole society; and the type/area of activity as a type of value proposition: culture and recreation, education and research, health, social services, environment: development and housing, law, advocacy and politics, philanthropic intermediaries and voluntarism promotion, international support (exchange/friendship/cultural programs; international disaster relief and disaster relief organisations; international human rights and peace organisations), religion, business and professional associations, unions, others. We consider the following NGOs' characteristics: the legal form of the NGO, the regional scope of the activity (community, city, state, national, international), age of the organisation, and size (measured by the number of employees and volunteers). Four sub-hypotheses were formulated to investigate the relationship between these components of the mission model.

Changes in the context and environment in which NGOs work can cause a redefinition of their core mission and goals (Teegen *et al.*, 2004). It is up to each NGO depending on their main area of activity to strike a balance that optimises resource generation without compromising the organisation's core mission or goals when they face to face with the harsh realities of the environment in which they operate (Viravaidya & Hayssen, 2001). Previous

studies have already shown that cultural non-profits are more sensitive to crisis because their activities depend on high levels of consumer spending (Grodach & Seman, 2013), so the demand for their services is reduced in crisis time. Philanthropy tends to experience increased demand for its services during crises and must use its unique flexibility to act quickly and fill community needs (Walker, 2020). When an organisation is competing for resources in a very tight marketplace in crisis time, NGO leaders are sometimes forced to follow the money and change the scope and direction of their activities or else receive no funds at all (Batti, 2014). Morgan, Awafo and Quartey (2020) in their research indicate that the Covid-19 environment raises leaders' attention to climate issues and instead focuses on the current health area of activity. Kim and Mason (2020) confirm that at the time of the Covid 19 crisis, arts and culture non-profits were more severely affected than human service non-profits. In the Covid 19 crisis, some NGOs were forced to change the organisation's mission or goals (Widing & Ahmed, 2021), so it is reasonable to assume:

*H1.1 The need to change the NGOs' mission or goals is associated with their main area of activity.*

Recent works showed that for NGOs there are new and intensified barriers to maintaining activity continuity due to the global COVID-19 pandemic and that their ability to continue the activity during a pandemic depends on NGO's size. Thus, Dong and Lu (2020) in this study found that most small and medium-sized non-profits under the Covid-19 crisis conditions are not providing services during the pandemic (28 %), and many more are providing services at a reduced capacity (50 %). Kim and Mason (2020) showed that most non-profits in the Covid-19 crisis experienced an immediate impact on their programs, and non-profits with more reserves were less likely to reduce operating hours, lose staff, or experience difficulty acquiring supplies. Young *et al.*, (2020) found that larger non-profits were more successful in securing funding and continuing activities than smaller, community-based organisations. Based on these works, we test the following hypothesis:

*H1.2 The ability to continue the activity during a pandemic is associated with the NGOs' characteristics and their mission models' elements.*

Previous studies have already shown that traumatic societal shocks often significantly impact the change of the scope and routine of activities of organisations (Kluppel *et al.*, 2018). While health issues resulting from the Covid-19 virus are a major concern, the pandemic has had other profound and far-reaching effects related to restrictive measures intended to reduce the spread of the virus (Wilke *et al.*, 2020). Restrictive measures have included social distancing, which has proven challenging in areas of NGO activities. Beaton's (2020) findings confirm that the most common concern for NGOs is a disruption of services to clients or communities (47 % of NGOs say they are very concerned), and even 71 % of non-profits are experiencing a service disruption. Many non-profits are also cutting administrative expenses (25 % of NGOs), restricting the professional development of staff (23 % of NGOs), and drawing on reserves (18 % of NGOs). Many are freezing, hiring, cutting staff, and making a special appeal to donors. The pandemic and restrictive measures were associated with an interruption in many vital services. NGOs were unable to

adapt services to fully meet the needs of all constituents revealed in a study by Wilke, Howard and Pop (2020). Deitrick et al. (2020) found that more than 80 % of respondents reported a reduction of normal services and 20 % of respondents reported they were unable to offer any programs. NGOs confronted with global health crises and lockdown measures have been forced to find new methods to continue their activities and transfer their work to virtuals such as internet, phone, and video meetings for all activities and interactions including meetings and workshops (Raeymaeckers & Van Puyvelde, 2021; Widing & Ahmed, 2021). These disruptions are affecting non-profit subsectors differently, so we assume that these disruptions are affecting non-profit organisations regarding the main characteristics and we hypothesise:

*H1.3 The change of the scope of the NGOs' activities is associated with their main characteristics.*

The Covid 19 virus has triggered a funding crisis and the change of NGOs' revenues when needed (O'Connell, 2020.) Young et al. (2020) found that larger non-profits were nearly three times more successful in securing funding than smaller, community-based organisations during the Covid 19 crisis. Beaton's (2020) findings confirm that many non-profits are heavily reliant on donations, and 41% of NGOs are very concerned about fundraising declines. 36 % of NGOs are very concerned about the loss of revenue from event or program cancellations, and 25 % of NGOs are very concerned that they will have to shut down operations indefinitely. Deitrick et al. (2020) found that as a result of the COVID-19 pandemic, many non-profits cannot generate income, and even fiscally strong non-profits report that they have already lost revenue streams due to the cancellation of programs and events, and are at risk of closing. The financial capacities of non-profits also varied by area of activity and other characteristics. For instance, larger NGOs have more financial capacity than smaller NGOs because larger NGOs benefit from years of experience engaging with policymakers vast membership bases, and they can work in many locations and on numerous issues at a time (Widing & Ahmed, 2021). Therefore, we assume:

*H1.4 The change of NGOs' revenues in the pandemic is associated with their characteristics.*

## Research Method

To verify the hypothesis, we conducted an anonymous online survey of NGOs in Poland, Croatia, and Lithuania. These three countries have been selected because they belong to the countries of Central and Eastern Europe, where the situation of NGOs differs due to historical circumstances (Waniak-Michalak *et al.*, 2020). Furthermore, there is a lack of research to analyse the impact of the Covid-19 pandemic on NGOs' activities in this region.

The survey questionnaire consisted of three parts. The eight questions of the first part were devoted to the study of the main characteristics of the analysed NGOs. The six questions in the second part examined the changes in NGO activities (value propositions) caused by the Covid-19 pandemic. Meanwhile, the four questions in part three analysed changes in funding revenues and sources (key partners). The link to the survey and the invitation to participate in the research was presented on the researchers'

Facebook pages as well as on the Facebook pages and the sites of watchdogs in the country. The generated survey URL link was also sent to the NGOs using Facebook messenger and to their email.

We analysed the collected data using content analysis and the following statistical tools: structure analysis and a chi-square test of independence. The analysis is concentrated in three aspects (beneficiaries' segments; value proposition, key partners) out of 9 components of the business model canvas for mission-driven organisations.

We planned to collect 384 questionnaires (with 5 % error and 95 % confidence level) in the period 15.04.2021-15.06.2021. We used the proportion (share of registered NGOs in every country in the total number of NGOs in the three countries) to decide the number of questionnaires in every country: In Poland 221, in Croatia 108, in Lithuania 55. We collected 575 answers: In Poland 261, in Croatia 154, in Lithuania 160. The survey was conducted with a randomly selected group of people. (researchers did not influence the selection of respondents). For this purpose, we performed interval estimation for structure indicators (assumed confidence level: 95 %) and  $\chi^2$  test of independence (assumed significance level: 5 %).

Interval estimation is a method used to estimate the parameters of a random variable distribution in the general population. In other words, it is a method that allows estimating with a certain probability the value of various parameters for the whole population e.g. mean, variance, standard deviation, structure indicator (percentage, frequency, fraction, ratio) based on a selected sample. Depending on the considered parameter for which the confidence interval is built the formula will differ. For the structure indicator (frequency, fraction, percentage) the formula is used:

$$\hat{p} - u_{\alpha} * \sqrt{\frac{\hat{p}*(1-\hat{p})}{n}} < p < \hat{p} + u_{\alpha} * \sqrt{\frac{\hat{p}*(1-\hat{p})}{n}}$$

Where

$\hat{p}$  – structure indicator in the sample;

n- number of elements in the sample;

p- structure indicator in the population;

$u_{\alpha}$  -confidence interval.

The chi-square test of independence is used to assess the relationship between the frequency distribution of responses in terms of one variable, in relation to another variable. In our study, we will use a test to determine whether changes in NGOs' mission models depend on selected variables, such as country, characteristics of NGOs, area of activity. The formula of the Chi-Square Test of Independence is:

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^c \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

where

$O_{ij}$  is the observed cell count in the *i*th row and *j*th column of the table;

$E_{ij}$  is the expected cell count in the *i*th row and *j*th column of the table.

**Characteristics of NGOs.** Information about the sample characteristics is presented in Appendix 1. An analysis of initial data on NGOs' characteristics showed that the majority of Croatian NGOs surveyed were associations, accounting for as much as 94 per cent of all NGOs surveyed.

In the case of Poland, the majority of the survey sample consisted of associations (61 per cent), and charities and support foundations (32 per cent). Meanwhile, in the case of Lithuania, associations accounted for 53 per cent, and even 39 per cent of the surveyed NGOs were public bodies.

According to the regional scope of NGO activities, the survey sample fairly evenly includes all levels of activity: community, city, state, and national. The only exception would be international NGOs, which had the lowest share in the sample in all three countries. The survey sample also includes all main areas of activity of NGOs and all groups of beneficiaries mentioned above. The most frequently mentioned areas of NGO activity could be distinguished: social services, culture and recreation, and education and research. The NGOs analysed mainly indicated that they provide services to the following groups: the whole society and children (in all three countries), families (Lithuania), the elderly (Poland), and people with disabilities (Croatia).

Most of the interviewed NGOs were small in all three countries, i.e., NGOs employ up to 10 employees, including volunteers (Poland - 85 per cent, Lithuania - 74 per cent, Croatia - 54 per cent). Meanwhile, NGOs that employ up to 50 staff accounted for 20, 12, and 35 per cent, respectively. The analysis of the revenue of the surveyed NGOs showed a similar situation, as the majority of the average revenue of NGOs in the last 3 years was less than or equal to 2 million euros (Poland 97 per cent, Lithuania 98 per cent, Croatia 88 per cent).

By age, the majority of interviewed NGOs have been operating for more than 10 years (Croatia - 82 per cent, Lithuania - 70 per cent, Poland - 49 per cent). In the case of Croatia and Lithuania, NGOs that have been active for five to ten years also made up a significant proportion (14 and 25 per cent, respectively). Meanwhile, in the case of Poland, significant proportions were both NGOs operating for five to ten years (21 per cent) and NGOs operating for one to five years (28 per cent).

## Research Results

**Changes in NGO activities.** The restrictions on NGOs' activities and the changed position of their beneficiaries caused by the Covid-19 pandemic, in many cases, forced NGOs to reconsider their missions and goals and affected the scale and continuity of their activities. In all three countries, the duration and restrictions of both lockdowns and the situation of the beneficiaries were similar.

Respondents indicated that the main problem they encountered in the pandemic was a fear of their beneficiaries and inability to transfer support funds to some mission outposts. In addition, the withdrawal of volunteers from activities was a problem. Beneficiaries suffered from loneliness, lack of funds to buy medicines, treatment, and food, and the children greatly missed personal meetings. Self-help at home did not give them satisfaction. Withdrawal from activity increased social isolation. People become less active, more sluggish. They complained about the disappearance of interpersonal contacts. They become increasingly closed into themselves (mainly school children). Prices have risen drastically in mission outposts, exacerbating poverty and hunger. Children lacked exercise and sports activities. Some people developed mental problems, depressive moods. There was a loss of financial

liquidity (loss of job or reduction of full-time employment), return and/or intensification of addiction to alcohol, pornography, computers, telephone, etc. The sudden death of a family member, often the breadwinner, compounded the financial and psychological problems. Difficulties in accessing government office health care were reported. The beneficiaries reported fears of contagion, so the work had to be strongly reoriented - to organise consultations remotely, to limit the number of people participating in the workshops. Work with families, couples indicated increasing psychological and financial problems as a result of isolation. People missed face-to-face contacts, social events, holiday trips, and excursions. NGOs complained also about anxiety, lack of readiness to act, and fear of the project being interrupted. The situation of the economically active group also forced them to give up the activities they did before (participation in concerts, workshops) to fight for the professional survival of their companies, businesses.

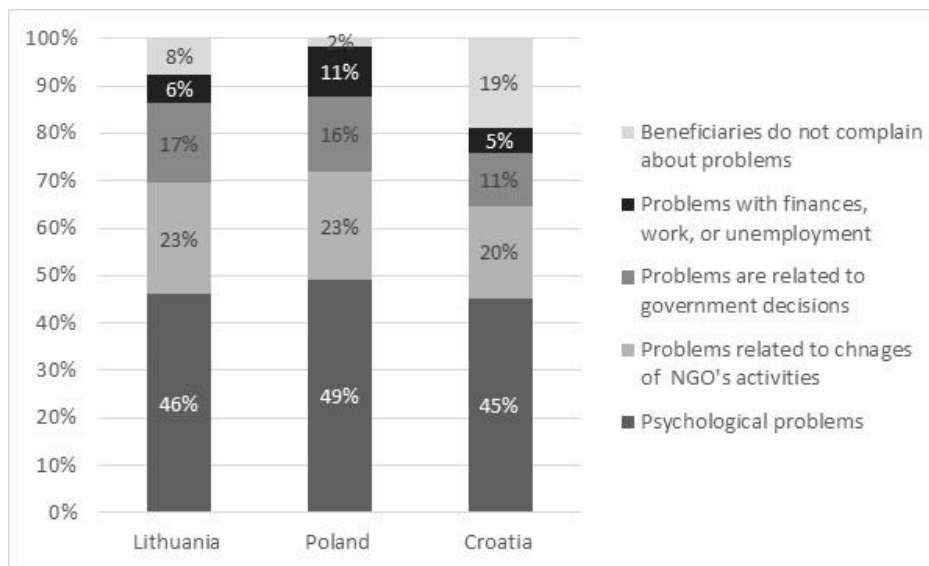
In summary, in all three countries, the beneficiaries focused mainly on psychological problems: social isolation, lack of personal contact, increase in cases of depressive conditions, loneliness, lack of physical exercise, apathy, fear of COVID-19 infection, computer and other addictions, increasing frustration, family problems and problems with children (see Figure 1).

In addition, the governments' decisions and changes in the activities of NGOs also created several new problems for the beneficiaries. Problems related to government decisions due to the COVID-19 pandemic cover chaos, lack of harmonised rules, lack of organisation, lack of information; difficulties in dealing with authorities, procedures; difficult access to health care; problems with public transport, mobility, and others. The sudden change in NGOs' activities also caused some problems: suspension or reduction of activities and services; limited financial support from NGOs; decrease in the number of volunteers; difficulties with internet contacts and with computer use; decrease in service quality. Another group of problems identified in this study was related to finance, working problems, or unemployment.

The survey revealed that 18 per cent of NGOs surveyed had to change the organisation's mission or goals due to the situation caused by the Covid-19 pandemic (see Table 1).

A chi-square test of independence was performed to examine the relation between the change of the organisation's mission or goals in the pandemic and the main NGOs' areas of activity. The relation between these variables was not significant for all countries ( $p > 0.99$ ). Thus, hypothesis H1.1, which states that the need to change the NGO's mission or goals is associated with the main their area of activity, has not been confirmed.

The survey did not show any significant differences between countries in changing the mission and goals of NGOs.



**Figure 1.** Problems Faced by NGO Beneficiaries Due to COVID-19 Pandemic

Most NGOs did not change their mission or goals except for religious organisations and NGOs providing services for business in Poland and Lithuania. The need to limit interpersonal contacts forced some NGOs to significantly reduce the services they provided which required face-to-face meetings, such as: workshops, courses, and training. International NGOs have limited their activities to one country. Although their activities continued, their scope was much reduced. The beneficiaries most felt the effects. Some NGOs moved their services to the Internet, however, as mentioned before, not all of them could afford it due to the constraints the beneficiaries had. The innovation of NGOs has also been weakened. The majority suspended the creation and implementation of new projects, concentrating on low-scale initiatives. The uncertainty of tomorrow prevented them from making long-term plans.

The verification of hypothesis *H1.2 The ability to continue the activity during a pandemic is associated with the NGO's characteristics and their mission models' elements*, required analysis of NGOs' responses according to the territorial scope of their activity, their main areas of activities, their size (measured by the number of employees and volunteers at the end of the previous year) and the age of NGOs (in years). A chi-square test of independence did not confirm the relation between the ability of NGOs to continue the activity in the pandemic, areas of activity, the size of NGOs, and the age of NGOs ( $p > 0.99$ ). Most organisations did not decide to suspend their activities during the pandemic (54 % in Poland, 55 % in Lithuania, 37 % in Croatia). Only about 6 % of NGOs in Poland, 4% in Croatia, and 10 % in Lithuania were not active during the completely pandemic period. A significant proportion of NGOs stopped their activities only temporarily at the time of lockdown (35 % in Lithuania, 41 % in Poland, and 59 % in Croatia).

A chi-square test of independence was performed to examine the relation between the change of scope of NGOs' activities and the main characteristics of NGOs (H1.3). We considered the type of NGOs' activity, the territorial scope of their activities, the size of NGOs (number of employees

and volunteers), and the age (in number of years of activity). Furthermore, this time a chi-square test of independence did not confirm the relation between the change of the scope of the NGO activities and the main NGO's characteristics ( $p > 0.99$ ). The volume of activity of the majority of surveyed NGOs decreased during the pandemic (71 % in Poland, 59 % in Croatia, and 53 % in Lithuania). However, the volume of activities of a small part of NGOs increased in Lithuania and Croatia (19 % and 18 %, respectively). More than half (54%) of the surveyed health NGOs indicated that the scope of their activities had increased in Lithuania. The majority of health NGOs (43 %) indicated that the scope of activities had not changed in Croatia. In Poland, meanwhile, the majority (68 %) of health NGOs experienced a declining scope of activity.

NGOs had to change the forms of communication in the pandemic; however, it was not possible everywhere. For example, 69% of surveyed NGOs indicated that services and activities were provided remotely in Lithuania. Some NGOs indicate that their beneficiaries could not use communication tools - they lacked skills, but health problems also made it impossible. Sometimes the character of the NGOs' activities did not allow changing the form of communication, i.e., NGOs performing rescue or caring activities. That is why in some cases, the activities had to be suspended (i.e., in the case of aid for elderly, disabled people), however, most often NGOs reduced the number and scope of their activities instead of suspending their operations. More than 60 % of NGOs in Poland (the same situation in Croatia and Lithuania) had to change the ways of implementing some activities, and some projects were postponed (until "after the pandemic").

NGOs had to adjust their plans because some activities were simply not available remotely. Activities were postponed. Some activities were carried out only directly, at risk, and with all possible safeguards. Some administrative activities have doubled since face-to-face meetings were prohibited, so 3-4 times more means of communication, publicity, and dissemination of information were used.



Table 1

Data of NGOs that had to Change the Organisation's Mission or Goals Due to the Situation Caused by the Covid-19 Pandemic

|   | Lithuania                  | Poland                    | Croatia                   | Total                      |
|---|----------------------------|---------------------------|---------------------------|----------------------------|
| Total   | 19.3 %                     | 22.3 %                    | 10.5 %                    | 18.0 %                     |
| Interval estimation for structure indicators for the whole population | 16 % <math>p < 22\%</math> | 20% <math>p < 25\%</math> | 8 % <math>p < 13\%</math> | 16 % <math>p < 20\%</math> |
| <i>According to the main areas of activity of NGO</i>                 |                            |                           |                           |                            |
| Culture and recreation  | 18 %                       | 38 %                      | 28 %                      | 28 %                       |
| Education and research  | 20 %                       | 42 %                      | 0 %                       | 21 %                       |
| Health  | 25 %                       | 26 %                      | 8 %                       | 20 %                       |
| Social services   | 15 %                       | 27 %                      | 14 %                      | 19 %                       |
| Environment   | 22 %                       | 22 %                      | 6 %                       | 17 %                       |
| Development and housing   | 19 %                       | 22 %                      | 0 %                       | 14 %                       |
| Law, advocacy and politics  | 13 %                       | 27 %                      | 0 %                       | 13 %                       |
| Philanthropic intermediaries and voluntarism promotion                | 0 %                        | 33 %                      | 0 %                       | 11 %                       |
| International support   | 0 %                        | 25 %                      | 0 %                       | 8 %                        |
| Religion  | 50 %                       | 22 %                      | 0 %                       | 36 %                       |
| Business and professional associations, unions                        | 33 %                       | 67 %                      | 0 %                       | 33 %                       |
| Others....  | 16 %                       | 16 %                      | 19 %                      | 17 %                       |

**Sources of financing.** The research revealed that the most important source of financing for Polish NGOs is public funds (grants and specific subsidies). In the case of Lithuania, NGO public funds together with membership fees were indicated as the most important sources of funding. The most important sources of funding for Croatian NGOs are public funds and donations. More than 50 % of the NGOs in Poland, which used public funds earlier, reported decreased budgets, and only 11 % reported an increase. In Lithuania, 27 % of NGOs that used public funds reported a decrease and a 16 % increase. In Croatia, 46 % and 2 %, respectively.

In Poland, the biggest decrease was noted in organisations working for the development of culture and art (43 %), housing, and social development (52.94 %). The largest increase in specific subsidies was noted by NGOs working for health care (17.19 %) and education (11.36 %). The same groups of NGOs reported higher government and international grants in the pandemic (23 % and 21 % of NGOs in every group respectively). However, it should be noted that in each category (area of activity), there were NGOs that recorded an increase or decrease in their income from governmental or local governmental funds. The chi-square test of independence also did not confirm a significant relationship between the type of activity of NGOs and the impact of the pandemic on their income ( $p > 0.99$ ).

In Lithuania, the biggest decrease in public funds (from governmental or local government funds and subsidies) was noted in organisations working for the development of culture and art (36 %), and in the environmental areas (44 %). Moreover, all NGOs of a group of development and housing reported a decline. The largest growth in public funds was noted by NGOs working in the health sector (33 %) and social services (25 %).

In Croatia, the biggest decrease in donations was noted in organisations working in social services (44 %) and environmental areas (26 %). The same group of NGOs reported the biggest decrease in specific subsidies given by central or local administrations. A negligible number of NGOs reported an increase in donations and specific subsidies given by the central or local administrations.

However, it should be noted that in each category (area of activity), there were NGOs that recorded that the amount of donations and specific subsidies remained the same.

Funding streams were significantly modified, although the impact of the pandemic on funding sources was similar in each of the countries analysed (see Figures 2 and 3).

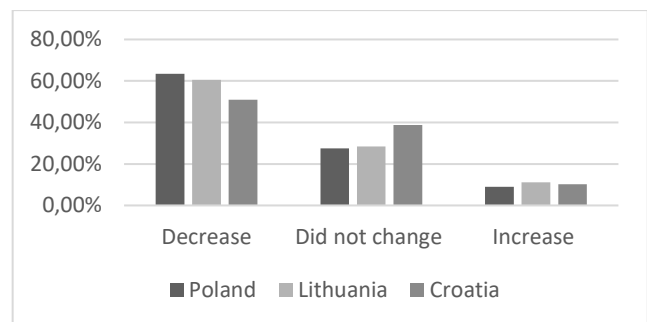


Figure 2. Problems Faced by NGO Beneficiaries Due to COVID-19 Pandemic

Most NGOs recorded a decrease in donations, although some NGOs obtained higher amounts from donors than before the pandemic. The increase in donations was recorded mainly by organisations concerned with animal and environmental issues (about 15 %), while NGOs working in the field of health care came second.

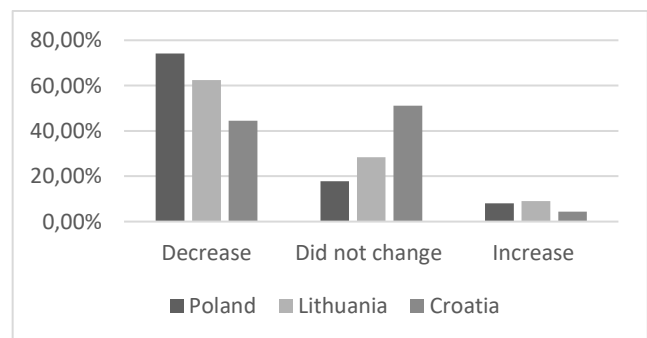


Figure 3. Business Activity of NGOs in Pandemic

For some NGOs operating in the area of health care and social welfare, national grants increased. Moreover, in this area, NGOs' business activities and paid statutory activities

(when revenues from sales do not exceed costs) have developed the most. NGOs have often decided to reduce their activities and thus the funds needed to operate, while others have decided to increase the services' fees. Despite their poor financial situation, the beneficiaries, who had to pay for the previously unpaid services, negatively perceived this change.

NGOs complained about the lack of real help from the government. That the government proposals to improve the situation of NGOs were weak. As an example, the deadline for submitting financial statements in Poland was postponed

by 3 months, which NGOs did not perceive as a relief in any way.

We asked our respondents what new forms of fundraising they decided to use in the wake of pandemic restrictions. We found that most NGOs did not take any action to increase their revenue during this period. The reasons were the willingness to "keep waiting", the lack of need, or the belief that they have no other possibilities to obtain funding (see Figure 4). Only a small number of organisations decided to shift fundraising to the Internet and applied for government or EU grants (see Figure 4).

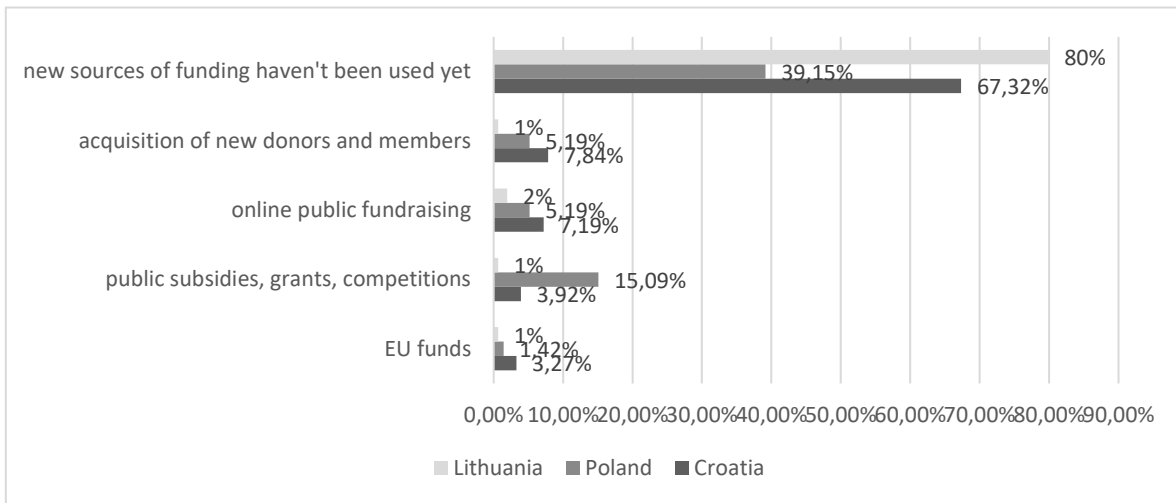


Figure 4. New forms of Fundraising of NGOs in Pandemic

### Discussion and Conclusions

The results of our study of the specific research areas of non-profits organisations allowed us to set up an interesting discussion. This study has implications for the theory and contribution to practice. The most important finding of our study is that a pandemic or economic crisis can have a dual impact on the financial situation of NGOs, which confirms an earlier study by McCambridge and Dietz (2020) that some non-profit organisational types never fully recover, while others end up in better shape after the crisis. Some of them may see their opportunities in an unfavourable situation, while others may be forced to suspend their activities. It probably depends on the management model of the organisation and the knowledge of the staff and volunteers. We cannot confirm that targeting NGOs to a specific group of beneficiaries or a specific goal can be a remedy for this situation. The assumption was that the restrictions would be temporary and would return to "normal" after a few months. The most affected organisations were those working for the business (which also suspended its activities) and culture. The reduction of activity objectives concerned organisations operating in Croatia to the smallest extent.

The channels of communication with beneficiaries and donors have been significantly modified. Most NGOs contacted their beneficiaries remotely, although it was not possible in some cases, e.g., in the care of elderly people or some types of activities such as rehabilitation or medical care. In such cases, activities were suspended or carried out in a sanitary mode.

The survey did not confirm significant differences in the impact of the pandemic on NGO income levels in different countries. According to the respondents, NGOs had to introduce several necessary changes in their activity models to maintain their current activity and level of funding. Not all of them managed to do this, some of them had to suspend or even close down their activities, mainly due to the inability of their staff and beneficiaries to work and communicate remotely.

However, the results of our study confirm that most organisations did not decide to suspend their activities during the COVID-19 pandemic. The results confirm previous research that NGOs tend to be more active in times of crisis. People realise that the government cannot eliminate or mitigate the negative impacts of crises (Waniak-Michalak, 2014). On the other hand, the results show that most surveyed NGOs' activities decreased during the COVID-19 pandemic, which is in line with previous research (Deitrick *et al.*, 2020; Wilke, Howard & Pop, 2020). The impact of the COVID-19 pandemic on funding sources was similar in each of the countries analysed. The results confirm previous studies (Beaton, 2020; Deitrick *et al.*, 2020) that most non-profit organisations recorded a decrease in donations. The reason some NGOs recorded a decrease in revenues was the inability to organise public collections at concerts, events and not undertaking any new forms of fundraising.

Our study has found that the impact of the pandemic on NGO mission models varies and that a pandemic crisis can

have a dual impact on the financial situation of NGOs. The results show that the impact of the pandemic on NGOs' revenues varied and did not depend on the mission model adopted so far, as we assumed. Some NGOs gained from the lockdown, perhaps due to a reduction of activities of other NGOs or factors that we did not take into account. Most NGOs observed a decrease in donations, although some managed to receive higher amounts from donors than before the pandemic. However, despite the difficulties that NGOs in the surveyed countries undoubtedly encountered, some organisations gained from the pandemic (mainly those

operating in the health and social care) and some (such as development and housing and international activities) lost.

Our study is limited due to the methodology of survey-based research, so biases may occur because the subjectivity of respondents cannot be fully controlled. Future studies could perform qualitative research to determine the factors that determined the development of NGOs in the pandemic, such as evaluation of their achievements and reputation, staff competence, management model, and use of remote communication already before the pandemic.

## Annexes

### Appendix 1. The analysis of initial data of NGOs' survey

|  | Lithuania | Poland | Croatia | Total  |
|--|-----------|--------|---------|--------|
| <b>Number of NGOs' responses</b>   | 160       | 261    | 154     | 575    |
| <b>The legal form of NGO</b>   |           |        |         |        |
| Association  | 50.6 %    | 61.2 % | 93.5 %  | 66.9 % |
| Public body  | 39.4 %    | 0.4 %  | 1.3 %   | 11.5 % |
| Charity and support foundation   | 8.1 %     | 32.3 % | 0.7 %   | 17.1 % |
| Other  | 1.8 %     | 6.2 %  | 4.6 %   | 4.5 %  |
| <b>The regional scope of the NGO's activity</b>  |           |        |         |        |
| Community-based NGO  | 29.4 %    | 13.1 % | 8.5 %   | 16.4 % |
| City-wide NGO  | 13.1 %    | 14.6 % | 27.5 %  | 17.6 % |
| State NGOs   | 13.8 %    | 32.3 % | 31.4 %  | 26.9 % |
| National NGOs  | 36.3 %    | 28.5 % | 30.7 %  | 31.2 % |
| International NGOs   | 7.5 %     | 11.5 % | 2.0 %   | 7.8 %  |
| NGO as international NGO unit  | 8.1 %     | 12.3 % | 19.0 %  | 12.9 % |
| <b>Size of NGO</b>   |           |        |         |        |
| NGOs employs up to 10 staff (including volunteers)                                     | 73.8 %    | 85.4 % | 53.6 %  | 73.6 % |
| NGO employs up to 50 staff (including volunteers)                                      | 20.0 %    | 12.3 % | 34.6 %  | 20.4 % |
| NGO employs up to 250 staff (including volunteers)                                     | 3.1 %     | 1.2 %  | 10.5 %  | 4.2 %  |
| NGO employs more than 250 staff (including volunteers)                                 | 3.1 %     | 1.2 %  | 1.3 %   | 1.7 %  |
| The average revenue of NGOs in the last 3 years is less than or equal 2 million euros  | 97.5 %    | 96.5 % | 88.2 %  | 94.6 % |
| The average revenue of NGOs in the last 3 years is less than or equal 10 million euros | 2.5 %     | 2.3 %  | 11.8 %  | 4.9 %  |
| <b>Duration of NGO activities</b>  |           |        |         |        |
| less than one year   | 0.0 %     | 2.7 %  | 0.7 %   | 1.4 %  |
| one to five years  | 6.3 %     | 27.7 % | 2.6 %   | 15.0 % |
| five to ten years  | 23.8 %    | 20.8 % | 14.4 %  | 19.9 % |
| more than ten years  | 70.0 %    | 48.9 % | 82.4 %  | 63.7 % |

### Appendix 2. Reaction of NGOs on the pandemic

|  | Lithuania | Poland | Croatia | Total  |
|--|-----------|--------|---------|--------|
| <b>The decision to suspend the NGO's activity during the pandemic:</b> |           |        |         |        |
| There was no need to suspend activities                                | 55.0 %    | 53.5 % | 37.3 %  | 49.5 % |
| Activities have been suspended temporally                              | 35.0 %    | 40.8 % | 59.5 %  | 44.2 % |
| Activity has been suspended for the entire period of the pandemic      | 10.0 %    | 5.8 %  | 3.3 %   | 6.3 %  |
| <b>Changes of the NGO's activities scope during the pandemic:</b>      |           |        |         |        |
| The volume of activities did not change                                | 21.3 %    | 11.8 % | 21.6 %  | 17.0 % |
| The volume of activity decreased                                       | 53.1 %    | 70.6 % | 58.8 %  | 62.6 % |
| The volume of activities increased                                     | 18.8 %    | 0.0 %  | 18.3 %  | 10.1 % |
| Activities were discontinued   | 6.9 %     | 17.7 % | 1.3 %   | 10.3 % |

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The article has been reviewed.

Received in October 2021; accepted in April 2022.



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