CHAPTER 8

SUMMARY, FINDINGS AND RECOMMENDATIONS

This chapter deals with summary of the present work. The summary covers the conclusions which have been drawn from this research work and the recommendations made.

8.1 Introduction

Charitable organisations come under the scope of non-profit organisations. Non-profit Organisations (NPOs) provide important service throughout the world. Their scope covers *inter alia* health and welfare, education, social organizations, research and professional associations. The fundamental features of NPOs are: (1) they exist to fulfil a charitable purpose, (2) they function without the use of coercion, (3) they operate without distributing profits to shareholders, and (4) they exist without simple and clear lines of ownership and accountability (Keating and Frumkin, 2001).

In India, the State played a dominant role in the process of economic and social development after independence in 1947. NPOs also emerged soon after independence as many followers of Mahatma Gandhi established voluntary agencies to work closely with the governmental programmes on social and economic issues. They organized handicraft and village industries, rural development programmes, credit cooperatives, educational institutions, etc. The second stage of growth of NPOs in India took place around 1960 when the governmental programmes were found to be inadequate to deal with the deprived sections. Many individuals formed grass-root organizations and started working at the micro-level with limited resources. They worked on behalf of poor, the landless, the tribals, the bonded labourers and other social groups that were being left out by the policies of the state and social structure. In 1980, with the Sixth Five-Year Plan (1980-1985), the Government identified new areas in which NPOs as new actors could participate in development. The subsequent Five-Year Plans enhanced the role of NPOs to aid in making communities as self-reliant as possible and as participants in rural appraisal for drawing up development plans at low cost and involving the local communities (Shailesh Gandhi, 2005).
Today, India has a dominant NPO sector and NPOs are of increasing importance as partners in the process of development and as employers. A recent Report on Non Profit institutions in India (March 2012) by the National Accounts Division, Central Statistics Office, found that there were only 1.44 lakh societies registered till the year 1970, followed by 1.79 lakh registrations in the period 1971 to 1980, 5.52 lakh registrations in the period 1981 to 1990, 11.22 lakh registrations in the period 1991 to 2000 and as many as 11.35 lakh societies were registered after 2000 up to the year 2012. The number of these societies is increasing rapidly, making the need of monitoring and analyzing their finances in an organized manner must.

There are many charitable organizations registered in India under various Acts. Examples of common charities in India are healthcare, old-age homes, religious organizations and educational institutions. All India Pingalwara Charitable Society founded by Bhagat Puran Singh is one of them. All India Pingalwara Charitable Society (AIPCS) is one of the largest multitasking non-profit organizations in north India. It was founded by the Bhagat Puran Singh in the August, 1947 with a few discarded patients. From the human perspective, the foundation stone of AIPCS was laid down in 1932, on Guru Nanak Sahib’s birthday, when a crippled child was left outside Gurdwara Dehra Sahib, Lahore. Bhagat Puran Singh carried this child on his shoulders for 14 years with a roof of tin on his head and rearing him under the trees and saving him from thorns and stones. At present, the AIPCS is taking care of approximately 1600 inmates by the end of March 2013. These inmates include a high percentage of the mentally retarded patients aging from two years to eighty years. Besides these patients, a number of patients suffering from the TB, AIDS, blindness and deafness are included in them. The AIPCS is providing a free education and residence to the destitutes, orphans and poor children. It also runs a number of schools for the normal, mentally retarded and deaf-and-dumb children in which no fee is being charged by it. Besides this, it is spreading awareness about the environment protection, zero budget natural farming and social evils by conducting a free seminars and distributing free literature in the various villages of India. It has its own printing press, which provides a wide range of literature free of cost for the guidance and reconstruction of man and society. It has been awarded with a heap of honours by the Indian Government for the above said contribution to the society. At present, the AIPCS has a number of branches working nationally and internationally for well-being of the society at large. It has a largest donors’ base in the State of Punjab. The
AIPCS accepts donation through cash by hand, cheque by hand or post, sponsoring someone, collection boxes fixed outside the holy Sikh shrines and public places, door to door collection, direct account transfer and in kind. The AIPCS communicates its performance to the public through leading newspapers and its own published literature from time to time.

“Management practices as we know them have evolved over several decades but primarily in relation to the management of profit-seeking organizations. These organizations have a clear focus of ensuring a surplus, sometimes referred to as the ‘bottom line’. Practices have evolved on this basis, which tend to raise the level of efficiency in the use of resources. On the other hand, non-profit organizations cannot avoid being questioned on the use of resources at their disposal” (Easo John, 2004).


8.2 Need of the Study

One invests money in an existing commercial organization only after knowing its past performance. For a new organization, one checks potential of the same. This assures one good return from the money invested. On the other hand, charitable organizations are faith based organizations, which generally tend to justify their existence in emotional or moralistic terms. The kind hearted compassionate people divert their resources and render services to charitable organizations. These organizations shoulder the responsibility of
less fortunate pebbles of humanity with missionary zeal. In return they get their mental and spiritual satisfaction.

In this materialistic world, one cannot, however, rely upon any one blindly. There is a lack of faith even in the closest relations. So how can one give donations to the charitable organization without satisfying oneself whether these organizations really help the poor and the needy? One also has the desire to know whether the funds are optimally used for the objectives for which the charitable organization exists. The faith of the people in these organizations may fall due to the mushroom growth of baseless, aimless and ‘fake charitable organizations’. There is need to examine growth in income and expenditure pattern of charitable organization, which build faith among their donors and well-wishers, so that they continue to extend their benevolent help to it. This in turn helps the charitable organizations grow by leaps and bounds to take under its benevolent shelter the needy, unprivileged and unfortunate section of the society.

Every organization desire to control expenditure and maintains efficiency in utilization of resources. Financial analysis shows path to achieve the goal of efficient spending of resources donated by compassionate persons.

Also future economic success of NPOs depend not only on the quality of its social and economic activities, but also on communicating their performance to the multiple and diverse stakeholders. The primary objective of nonprofit performance assessment is to determine how well an organization is fulfilling its mission. If such an assessment is not possible then public trust in NPOs is bound to be lost (Herzlinger, 1996).
8.3 Objectives of the Study

The study has been conducted with the following specific objectives:

1. To study the shortcomings of law governing AIPCS.
2. To examine the receipt and expenditure pattern of AIPCS.
3. To study the Economic Contribution of AIPCS.
4. To examine the factors that can add to the growth and economic contribution of AIPCS.
   a. To study the perception of donors’ trust and confidence in AIPCS
   b. To study the satisfaction of employees in AIPCS
   c. To study the satisfaction of inmates about AIPCS
5. To provide suggestions on the basis of conclusions arrived at.

8.4 Database and Methodology

The study has focused on All India Pingalwara Charitable Society (AIPCS). For achieving the above mentioned objectives, both primary and secondary sources of data have been used.

For examining the receipt and expenditure pattern, data of 33 years i.e. 1978 to 2010 were taken from the audited annual accounts of AIPCS.

The three-fold analyses have been carried-out to reveal the trends of expenditures and incomes over a period of thirty three years (i.e. 1977-78 to 2009-10).

1. Trend analysis of particular actual expenditure/income.
2. Trend analysis of particular indexed expenditure/income.
3. Trend analysis of ratio of particular expenditure/income to total expenditure/income.

Since all the branches are located in urban area, the consumer price index for urban non-manual employees (Annual average) has been used to compute the indexed expenditure/income. Two base year series are available for the same index in records, viz. 1960 and 1985. As the analysis is for the period of thirty three years i.e. 1977-78 to 2009-
2010, both the series have been spliced by taking 1985 as base year. The reason behind choosing 1985 as base year is the foreign contribution which started in the same year.

The techniques namely trend analysis, compound annual growth rate (CAGR) using log linear regression model, simple arithmetic average, standard deviation and coefficient of variation have been used for the analysis.

For studying the perception of donors’ trust, a survey instrument was prepared from the available literature with some modification as per the need. It was pretested and administered to a sample of 1000 donors of AIPCS. The donors were selected by the systematic random sampling from the list of donors provided by AIPCS. The study was limited to the donors of the State of Punjab because AIPCS has the maximum number of branches in the State of Punjab. The questionnaire was sent to 1000 donors along with the prepaid return envelope. It was a paper-pencil survey. 348 questionnaires were filled up by the respondents. 44 questionnaires were found to be incomplete and excluded from the analysis. Remaining 304 questionnaires were used for the analysis. The data were collected during the year 2009 and 2010.

For examining the employees’ satisfaction, a well-structured questionnaire containing 36 items was prepared from the available literature with little modifications and it was administered to 345 employees. The employees were selected randomly from all branches. The schedule method was used for collecting data from the employees of AIPCS. The data were collected during the year 2011.

Similarly, for knowing the inmates satisfaction, well-structured questionnaire was prepared from the available literature with some modifications but it could not be administered to inmates because more than 80 percent inmates are found to be mentally challenged and incapable of delivering rational response.

The initial questionnaire of donors and employees has been refined with the help of corrected item to total correlations and Cronbach’s alpha. Factor analysis has been used to identify the factors affecting donors’ trust & confidence in giving donation and employees’ satisfaction towards AIPCS. The ordinal logistic regression analysis has been employed to study the impact of extracted factors (from the perception of donors) on donors’ trust and confidence in giving donation. It has also been used to examine the
impact of extracted factors (from the perception of employees) on employees’ satisfaction towards AIPCS. Moreover, Chi-square test and Hierarchical Log Linear analysis have also been used for the analysis of data.

8.5 Structure of the Study

The study is organized into eight chapters. First chapter provides the introduction of management and contribution of charitable organisations in India. This chapter also outlines the brief history of All India Pingalwara Charitable Society.

Chapter 2 exhibits the extensive literature review regarding management of NPOs.

Chapter 3 delineates the research methodology by explaining the population, data base, sample design and data analysis techniques used in the study.

Chapter 4 provides the legal framework governing charitable organisations in India with close insight into the Societies Registration Act, 1860 under which the AIPCS is registered.

Chapter 5 unveils the trend analysis of significant expenditures of AIPCS.

Chapter 6 examines the trend analysis of significant incomes of AIPCS.

Chapter 7 studies the economic contribution of AIPCS towards the society and discusses the factors which have added to the growth and economic contribution of AIPCS.

Chapter 8 provides the conclusion of the study along with suggestions and implications for future research.

The thesis also contains bibliography and appendices.
8.6 Major Findings of the Study

The major findings and conclusion of the study are as follows:

Legal Framework Governing Charitable Organisations in India

1. The present regulatory framework of India regarding NPOs does not contain a centralized oversight or reporting mechanism for societies operating in multiple jurisdictions.
2. The present regulatory framework does not provide for an enabling framework to ensure transparency and accountability in governance of societies.
3. The present regulatory framework does not provide for universally acceptable self-regulatory standards which are critical for the governance of societies operating in the new economic environment.

Expenditure Analysis

4. During the study period from 1978 to 2010, all the expenditures have shown an increasing trend. The total actual expenditure revealed the significant growth of 14.19 percent while the indexed expenditure exhibited the growth of 6.98 percent. All the expenditures experienced significant decline in CAGR after indexation. The total expenditure has been divided into three parts viz. expenditure on welfare of society, expenditure on inmates and expenditure on functioning of AIPCS. The major share in total expenditure was of expenditure on inmates.
6. Regarding expenditure on welfare of society, both actual and indexed expenditure showed significant positive growth. However, the proportion of this expenditure to total expenditure disclosed the significant negative growth. This expenditure has been divided into three expenditures namely expenditure on Puran printing press, expenditure on creating awareness and expenditure on humanitarian aid and free education. Except the expenditure on humanitarian aid and free education, the proportion of all expenditures disclosed downward movement. The major share in this expenditure was of expenditure on creating awareness among public about the environment protection, planting trees, organic farming, female foeticide and many more social issues.
7. As far as the expenditure on inmates is concerned, the actual and indexed expenditure also revealed noteworthy positive growth. Unlike the expenditure on welfare of society, there was significant positive growth in the ratio of this expenditure to total expenditure. This expenditure has been segregated into eight expenditures viz. expenditure on Langar (community kitchen), expenditure on attendants, expenditure on milk, curd, medicines, clothing and laundry, expenditure on repairs and maintenance, expenditure on electricity and water supply, expenditure on feeding of cows, expenditure on depreciation and miscellaneous expenditure. There was positive growth found in the proportions of all expenditures to total expenditure except expenditure on langar, feeding of cows and repairs and maintenance. The expenditure on depreciation revealed the highest growth followed by expenditure on electricity and water supply and expenditure on attendants. The highest growth was due to change in the accounting policy regarding charging of depreciation in the year 2003. From this year, AIPCS started charging depreciation on buildings. Consequently, the depreciation expenditure increased by 11 times in the year 2003. The expenditure on attendants, langar expenditure and expenditure on milk, curd, medicines, clothing and laundry constituted the major share in the expenditure on inmates.

8. Like above two expenditures, the actual and indexed functional expenditure also disclosed the significant positive growth. However, the percentage of this expenditure to total expenditure indicated the significant negative growth. This expenditure has been divided into three parts viz. expenditure on office staff, expenditure on general staff and expenditure on fund collectors. The proportions of all three expenditures to total expenditure experienced negative growth. All revealed the significant growth except expenditure on general staff. The downward momentum of all the proportions signifies efficiency of AIPCS. It ensures donors that the reasonable proportion of their donation gets to the end cause. In the beginning of study period, the largest share was of expenditure on funds collector, whereas at the end, the expenditure on general staff came to top.

Income Analysis

9. During the given study period, all significant incomes gained momentum on a varied pace. A significant positive CAGR of 16.39 percent was found in total
income of the organization, whereas price level changes reduced the CAGR to 7.49 percent.

10. As far as the analysis of total donations is concerned, it constituted the major part of total income over the study period of 33 years. However, its share in total income decreased from 97.64 percent to 82.01 percent. As per the annual accounts of AIPCS, total donations have been classified into domestic donations and foreign donations since 1985. Prior to 1985, AIPCS did not collect foreign donations. The share of domestic donations in total donations remained at the top during the entire study period. Though, its proportion decreased gradually from 94.89 percent to 56.16 percent. It was 100 percent before 1985. On the other hand, the share of foreign donations increased from 5.11 percent to 43.84 percent.

11. It can be concluded from the analysis of total domestic donations that the share of income from domestic cash donations remained at the top during the entire study period. However, its share in total income has been fallen from 87.68 percent to 45.17 percent. On the other hand, the share of domestic donations received in kind decreased from 15.20 percent to 3.04 percent. The downward trend in both the donations was due to increase in the share of foreign donations from 4.71 percent to 40.11 percent.

12. Out of total domestic cash donations, the share of cash donations received at office was on the higher side over the period of 33 years. It mounted from 51.06 percent to 86.07 percent. On the contrary, the share of cash donations received through fund collectors experienced downward trend i.e. from 48.94 percent to 13.93 percent. Regarding domestic donations received in kind, the share of domestic donations received in kind at office was also on the higher side during the entire study period, whereas the share of donations received in kind through fund collectors also indicated downward momentum. The downward momentum on the part of donations received through fund collectors was due to regular decrease in the number of fund collectors.

13. Regarding interest income, its share in total income exhibited the CAGR of 10.57 percent. Its share increased from 0.07 percent to 16.70 percent.

14. Finally, the price level changes decreased the CAGRs of every income. All except interest income revealed the polynomial trends of varied orders. The interest income showed the exponential trend.
Economic Contribution and Growth of AIPCS: A Peep into the Factors

15. During the given study period, both economic contribution and net economic contribution showed the exponential trend, whereas it’s indexed figures revealed the polynomial trend of order two.
16. From the analysis of variable ‘donors’ trust and confidence’, it is found that donors show trust in giving the donation to AIPCS primarily because of the good reputation gained from its selfless service to humanity. On the other hand, donors’ considered the statement ‘AIPCS is nearest to your place’ as least important. It indicates that the donors do not bother about the location of organisation. Rather they are concerned with the organisation’s contribution to the society.
17. It has also been found that donors want more transparency in the funds collection specifically in the door to door collection and the ones who collect donations in boxes at public places. That is why, they have given the lowest score to this parameter. AIPCS should take steps to bring more transparency in the above method of funds collection
18. This study further reveals that out of the selected four parameters of assessing AIPCS’s performance, all except ‘Reasonable proportion of donation gets to end cause’ are found to be significant drivers of donors’ trust and confidence. The parameter ‘AIPCS spends wisely and effectively’ is the most important driver of donors’ trust and confidence. However, the parameter ‘AIPCS is well managed’ got the highest mean score. When an attempt was made to check the appropriateness of donors’ perception, it was found after applying three measures viz. fundraising efficiency, ratio of expenditure on mission and functional cost allocation to total expenditure that AIPCS spends wisely and effectively.
19. It is found from the analysis that awareness about history of AIPCS plays an important role in building trust and confidence among its donors. The donors who are aware of AIPCS’s history are 3.44 times more likely to have high degree of trust and confidence in giving donation than the donors who are not aware of. It has also been found that the completely aware donors are 1.70 times more likely to have high degree of trust and confidence than the somewhat aware donors. In addition to this, the donors who are inspired from AIPCS’s published literature are 2.05 times more likely to have high degree of trust and confidence than the donors who are inspired from other literature.
20. This study further discloses that the impact of awareness has been found more in male donors than the female donors. However, the impact of extent of awareness is found to be more in female donors than the male. With respect to demographic variable income, the impact of awareness has been found more in the donors having income of Rs. 15000 or more. On the contrary, the impact of extent of awareness is found to be more in the donors having income of less than Rs. 15000. This study further divulges that the level of awareness increases with increase in the level of education. Moreover, the impact of awareness has been observed more in case of donors under the age group 31 – 50 years than the other age groups. However, the impact of extent of awareness has been seen more in the donors under the age group of 51 years or more. This study also finds that the government and private employees have been more influenced by the awareness of AIPCS’s illustrious history.

21. From the factor analysis of donors’ perception about AIPCS’s functioning, it is found that the factor ‘Inherent belief and financial reporting’ explained the highest variance of 25.53 percent and considered to be significant driver of building donors’ trust and confidence. However, the factor ‘AIPCS’s contribution to the society’ got the highest mean score of 4.31.

22. The most important motivational factor found out by this study is that after being a part of AIPCS, the donors got inspiration to serve the humanity.

23. From the factor analysis of employees’ satisfaction, it has been found that the factor ‘Organisation’s goodwill’ explained the highest variance of 23.60 percent and got the highest mean satisfaction score of 4.67. This factor is also considered as the most important driver of increasing employees’ satisfaction followed by the factor ‘Appropriate remuneration and financial incentives’. However, the factor ‘Esprit-de-corps’ showed the negative significant impact on influencing the employees’ satisfaction.
8.7 Recommendations

On the basis of findings and conclusions drawn from the analysis, the following recommendations can be made:

1. All India Pingalwara Charitable Society should prepare its annual accounts branch wise as well as project wise so that more in-depth analysis can be done for controlling the expenditures.

2. To make the results comparable, All India Pingalwara Charitable Society must give the previous financial years’ data along with the current financial year data.

3. To increase the donations, the services being provided by All India Pingalwara Charitable Society should be publicized through electronic media also.

4. All India Pingalwara Charitable Society should create the electronic payment system for accepting donations online through debit and credit cards.

5. It should establish the internal check system to ensure efficient usage of funds.

6. The compound growth in the total income of All India Pingalwara Charitable Society is more than compound growth in its total expenditure. Surplus is being kept with banks as deposits. The Pingalwara should open its branches by investing the surplus in other states also for serving the humanity rather than keeping the funds in banks.

7. AIPCS should create awareness about its history, services provided and contribution towards the society through print and electronic media.

8. AIPCS should create history awareness among women of the society because a woman can aware her whole family. In this study, the impact of awareness is found to be much less in the women than men but the impact of extent of awareness is more in women.

9. AIPCS should make the efforts to create history awareness among less educated people by conducting public seminars.

10. AIPCS should also create awareness among young generation because the impact of extent of awareness has been found more in student category.

11. AIPCS should published more literature and distribute the same among people because it has been found from the analysis that the donors who were inspired
from the AIPCS’s published literature, have more trust and confidence than the donors who were inspired from other literature.

12. The mushroom growth of aimless, baseless and fake charitable organizations urges All India Pingalwara Charitable Society to publish annual results in leading newspapers and through electronic media. It will build faith among public for extending their benevolent help to All India Pingalwara Charitable Society.

13. Presently there is no central law governing Public Charitable Trusts in India. Many States (particularly Maharashtra, Gujrat, Rajasthan and Madhya Pradesh) have their own Public Trusts Act. The Union Government should draft a comprehensive model legislation covering both Trusts and Societies in lieu of the existing laws on Societies, Trusts, Endowments and Charitable Institutions etc.

14. The proposed model legislation should indicate a cut off limit with regard to the annual revenue of a Charity. Organisations having an annual income below this threshold will have lighter compliance requirements with respect to submission of returns / reports / permission etc. However, if irregularities are detected in their functioning, the organisations will be liable for legal and penal action.

15. The government should set up an Inclusive Committee which will comprehensively examine the issue of defining ‘Charity’ and ‘Charitable Purpose’ and suggest measures to “soften” charities-government relationship, particularly in tax matters.

16. Developed countries like U.S.A. and Australia have their own accounting standards for non-profit organizations. Similarly accounting standards for such organizations should also be formulated in our country. Due to lack of accounting standards, it is difficult to have accounting system on scientific lines. It may not effectively fulfil the desired objective.
8.8 Limitations of the Study

The Study is related to the extensive and major subject i.e. management. The study suffers from some limitations which need to be take care of while discussing its contribution. The study was limited to All India Pingalwara Charitable Society. The findings of the study have not generalized across the entire population of non-profit organisations. Some other limitations of the study are as follows:

1. Financial data were not available with respect to each branch and project wise. So branch and project wise analysis could not be done.
2. Balance Sheet analysis and inter-statement analysis has not been made due to time constraint.
3. As some part of the study was based on questionnaire there is always a tendency of a gap between truth and actual responses. Respondents may not respond deliberately even if due care has been taken to ensure that their data will be used only for academic purposes. Further the drawbacks of filters in communication process could also change the direction of the responses. Besides the chances of personal biasness could not be prohibited.
4. Due to non-availability of record regarding number and kind of free goods & services provided by the AIPCS, it was difficult to compute the market price of same. So the full cost of free goods and services was taken for the analysis.
5. For knowing inmates’ satisfaction, it was not possible to collect data from the inmates of AIPCS because more than 80 percent inmates were not capable of delivering rational response due to suffering from severe diseases such as mental retardation, epilepsy, cancer, AIDS etc.

8.9 Scope for Further Research

Following are the certain promising areas for those who are interested in empirical research in the field of financial management of charitable organizations:

1. A study on the analysis of capital expenditures of All India Pingalwara Charitable Society may be conducted which have not been covered in this study due to shortage of time.
2. Branch wise and project wise analysis of expenditures and incomes are another important area, which will reflect the efficiency of each branch and in each project.

3. Longitudinal research may be executed upon in some future time to investigate if the perceptions of donors, employees and inmates vary with the time element.

4. A comparative study can be conducted by taking another large multitasking charitable organization.