Chapter - II

INTRODUCTION TO NON – GOVERNMENT ORGANIZATIONS AND THEIR MANAGEMENT

2.1 THE MEANING AND DEFINITION OF NGO

A NGO is an organization consisting of private individuals who believe in certain basic social principles/ obligations and who structure their activities to bring about development to communities that they are servicing. “NGOs include groups and institutions that are entirely or largely independent of Government and that have primarily humanitarian rather than commercial objectives”. They are non-profit making, voluntary and service oriented organizations. Working on various issues like Environment protection, Save the Planet Earth, Disability, Science and Technology, Health, Agriculture, Animal welfare, Art and Culture, Education. NGOs are known by different names: Voluntary organizations (VOs), Voluntary Agencies (VAs), Voluntary Development Organizations (VDOs) and Non Governmental Development Organizations (NDGO). NGOs vary greatly according to their philosophy, purpose, programs, approach, orientation, scope of activities, expertise and structures. To a layman, NGO is a social institute, it is non-governmental and has a purpose of charity. Following are the different definitions of NGOs to have a better understanding of NGOs:

The World Bank defines NGOs as “Private organisations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development.” In wider usage, the term, ‘NGO’ can be applied to any non-profit organisation which is independent from government. NGOs are typically value based organisations which depend, in whole or in part, on donations and voluntary service.

The United Nations describes an NGO as: Any non-profit, voluntary citizens’ group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens’ concerns to governments, monitor policies and
encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements.

In simple terms, NGOs can be defined as “self-governing, private, not-for-profit organizations that are geared to improving the quality of life for disadvantaged people” (Vakil, 1997).

Professor Peter Willets, from the City University of London, defines an NGO as "an independent voluntary association of people acting together on a continuous basis for some common purpose other than achieving government office, making money or illegal activities.".

Duggal (1988) defines NGOs in his study. According to him, (a) NGOs are registered as public trusts or societies; (b) Programmes adopted by NGOs are welfare programmes and many a time it is government funded rural development programs; (c) NGOs as a rule do not generate their own funds completely but rely on external financial assistance from government agencies, both national and international; (d) NGOs are private organizations, but their nature makes them somewhat different from what one gradually refers to the private sector. Thus, they are not supposed to make any profit.

Some other definitions of NGO:

**An NGO is . . .**

- A non-profit making, voluntary, service-oriented/development oriented organization, either for the benefit of members (a grassroots organization) or of other members of the population (an agency).
- It is an organization of private individuals who believe in certain basic social principles and who structure their activities to bring about development to communities that they are servicing.
- Social development organization assisting in empowerment of people.
An organization or group of people working independent of any external control with specific objectives and aims to fulfil tasks that are oriented to bring about desirable change in a given community or area or situation.

An independent, democratic, non-sectarian people’s organization working for the empowerment of economic and/or socially marginalized groups.

An organization not affiliated to political parties, generally engaged in working for aid, development and welfare of the community.

Organization committed to the root causes of the problems trying to better the quality of life especially for the poor, the oppressed, the marginalized in urban and rural areas.

Organizations established by and for the community without or with little intervention from the government; they are not only a charity organization, but work on socio-economic-cultural activities.

An organization that is flexible and democratic in its organization and attempts to serve the people without profit for itself.

2.2 NGO and VO

These terms, NGO and VO are generally understood as synonymous terms and are used interchangeably, but are different than each other in real sense. The NGOs need to be registered under some specific act and have a legal status; whereas VOs exist without any legal status. “VOs are initiated by individuals or groups of individuals for welfare and development. But NGOs are initiated or constituted in India generally by Government as autonomous bodies for pursuing some specific objectives. VOs formulate their own strategies, policies and programmes, but NGOs are more or less influenced by Government in fixing policies, programme and strategies”8. “VOs are non-profit organizations, small in size and run outside the domain of the state control; but NGOs are a later phenomenon. There is a relationship between the state and welfare NGOs. It is a fact that NGOs are non-profit organizations but provide welfare services sometimes as a part of or on the behest of Government and sometimes outside it”9. The VOs may be political or non-political in nature but NGOs are generally non-political in nature.
2.3 TYPES OF NGO

Different classifications of the NGOs are mentioned in literature. The classification of NGOs retrieved from different sources is as under:

a) NGO type can be understood by orientation and level of co-operation\(^1\).

**NGO type by orientation:**

**Charitable orientation:** It often involves a top – down paternalistic effort with little participation by the “beneficiaries”. It includes NGOs with activities like food, clothing, housing of needy. Such NGOs may also undertake relief activities during a natural or manmade disaster.

- **Service orientation:** It includes NGOs with activities such as the provision of health, family planning or education service in which the program is designed by the NGO and people are expected to participate in its implementation and in receiving the service.

- **Participatory orientation:** It includes NGOs with participation of local people in organization’s activities. It is characterized by self – help projects where local people are involved particularly in the implementation of project by contributing cash, tools, land, materials, labor, etc.

- **Empowering orientation:** It is where the aim is to help poor people develop a clearer understanding of the social, political and economic factors affecting their lives, and to strengthen their awareness of their own potential power to control their lives.

**NGO type by level of Operation**

- **Community-Based Organization:** CBOs arise out of people’s own initiatives. These can include sports clubs, women’s organizations, neighbourhood organizations, religious or educational organizations.

- **City Wide Organization:** It includes organizations like Rotary or Lion’s Club, Chamber of Commerce and industry, coalitions of business, ethnic or educational groups and associations of community organizations. Some exist
for other purposes, and become involved in helping the poor as one of many activities, while others are created for the specific purpose of helping the poor.

- **National NGOs:** It includes organizations such as Red Cross, YMCAs / YWCAs, professional organizations, etc.

- **International NGOs:** These ranges from secular agencies such as CARE, Ford and Rockefeller Foundations to religiously motivated groups. Their activities vary from mainly funding local NGOs, institutions and projects, to implementing the projects themselves.

b) The World Bank differentiates two main categories of NGOs with which it interacts:

1. **Operational NGOs**, the primary purpose of which is the design and implementation of development-related projects.

2. **Advocacy NGOs**, the primary purpose of which is to defend or promote a specific cause, and influence the policies and practices of international organizations.

The operational NGOs are further classified as national organizations, which operate in individual developing countries, international organizations, which are typically headquartered in developed countries and carry out operations in developing countries, and community-based organizations (CBOs), which serve a specific population in a narrow geographical area. CBOs, also referred to as grassroots organizations or peoples’ organizations (PO), differ from other NGOs in both nature and purpose: while national and international organizations are seen as “intermediary” NGOs that are formed to serve others, CBOs are usually “membership” organizations whose purpose is to advance the interests of their members. Examples include women’s groups, credit circles, youth clubs, cooperatives and farmers’ associations.”

c) NGOs are categorized based on their theme, nature of operations, or level of operation. Thematic NGOs deal with specific issues such as the environment, rural development, health, or women’s empowerment. NGOs can also be classified on the basis of their operations such as advocacy, research, or training. The third possible
classification might be based on their level of operation, i.e. they can be international, national, or local"\(^{12}\)

d) Korten (1990) classifies NGOs as per strategies of development. He states four types on NGOs i.e. Relief & Welfare Organization, Community Development Organization, Sustainable Systems Development Organization and People’s Organization\(^{13}\).

e) According to D. Rajashekhar (2000), NGOs are of four categories, such as, Operational or Grassroots NGOs, Support NGOs, Network NGOs and Funding NGOs. Grassroots NGOs directly work with the oppressed sections of the society. It is, again, of four types: ‘Charity and Welfare NGOs’ which focus on providing Charity and Welfare to the poor, ‘Social Action Groups’ focus on mobilizing marginalized sections around specific issues, ‘Development NGOs’ focus on implementation of concrete development activities with issue based struggle. Support NGOs provide services that would strengthen the capacities of grassroots NGOs, Panchayati Raj Institutions, cooperatives and others to function more effectively. Network NGOs are formal associations or informal groups of grassroots and/or Support NGOs, which meet periodically on particular concerns. Funding NGOs are those who extend financial assistance to the grassroots NGOs, Support NGOs or people’s organizations\(^{14}\).

f) Apart from "NGO", often alternative terms are used as for example: independent sector, volunteer sector, civil society, grassroots organizations, transnational social movement organizations, private voluntary organizations, self-help organizations and non-state actors (NSA’s).

The Non-governmental organizations are a heterogeneous group. A long list of acronyms has developed around the term "NGO". These include\(^{15}\):

- **BINGO**: Business-friendly International NGO or Big International NGO
- **National NGO**: A non-governmental organization that exists only in one country
- **CSO**: Civil society organization
- **DONGO**: Donor Organized NGO
ENGO: Environmental NGO, such as Greenpeace and WWF
NNGO: Northern non-governmental organization.
IDCIs: International development cooperation institutions.
SNGOs: Support nongovernmental organizations
SCOS, also known as social change organizations
GONGOs are government-operated NGOs, which may have been set up by governments to look like NGOs in order to qualify for outside aid or promote the interests of the government in question
INGO stands for international NGO
QUANGOs are quasi-autonomous non-governmental organizations, such as the International Organization for Standardization (ISO). (The ISO is actually not purely an NGO, since its membership is by nation, and each nation is represented by what the ISO Council determines to be the 'most broadly representative' standardization body of a nation. That body might itself be a nongovernmental organization; for example, the United States is represented in ISO by the American National Standards Institute, which is independent of the federal government. However, other countries can be represented by national governmental agencies; this is the trend in Europe.)
TANGO: Technical assistance NGO;
TNGO: Transnational NGO;
GSO: Grassroots Support Organization
MANGO: short for market advocacy NGO
NGDO: non-governmental development organization

2.4 CHARACTERISTICS OF NGOs: Though NGOs vary in different aspects like nature, structure and ideology but they have some characteristics which make them fall into a category of non-government organizations. In general, following are the common characteristics of NGOs:

i) The NGOs are not created for profit making, they are non–profit making organizations. The profit generated, if any is used for working of organization’s programmes and is not distributed among its members.

ii) NGOs are independent of government.
iii) The NGOs are formed on voluntary basis and possess spirit of voluntarism.

iv) The NGOs have legal status/ identity. They need to be registered under appropriate Act (e.g. Trust Act, Society Registration Act or Companies Act). For obtaining foreign funding, they need to be registered under Foreign Contribution Regulation Act (FCRA) with Ministry of Home Affairs, Government of India.

v) All NGOs are formed to serve a common purpose of benefit and / or development of community. They aim towards helping the needy.

Apart from the above aspects, the definitions of NGOs also highlight the characteristic features of NGOs (See Point 2.1).

2.5 ROLE AND IMPORTANCE OF NGOs IN INDIA:

The NGOs perform various functions for the benefit of society. The range of NGO activities is huge and is spread in all fields: environment concern, age care, rural development, health, culture and heritage, women empowerment, child care and upliftment, basic education to all children, animal welfare, disaster management and many more.

India, being a largely populated country, it is not easy to meet all social and human needs by the government without help of NGOs. NGO takes efforts to satisfy the needs of a common man and development of nation by undertaking various projects and thus helps the Government to fulfil its objectives.

“The Government has enunciated welfare state as one of the Directive Principles of State Policy and essentially the society and social organizations also have a role to play in providing basic needs and amenities to and addressing the problems of the down trodden, destitute, and the weaker sections (women and children). Government has identified, considering the social pattern of living and needs of citizens, schemes in which NGOs and voluntary organizations can participate. These are broadly: Age Care, Agriculture, Animal Welfare, Art & Craft, Children, Cities & Urban, Culture & Heritage, Disability, Education, Environment, Health, Human Resource, Rural
“NGOs provide expert analysis in the field; serve as early warning agents and help monitor and implement international agreements. NGOs also help raise public awareness of issues, play a major role in advancing UN goals and objectives and contribute essential information at UN sponsored events. NGOs advocate many of the causes of concern to the United Nations. Volunteer resources and execute and oversee development projects”\textsuperscript{16}.

To brief,

- NGOs perform a very important role in helping the needy people.
- NGOs are of great help in case of natural disaster / calamity like earthquake, tsunami or floods.
- NGOs act as a link between people and the government which act as a communicator, facilitator or active force for solving the problem.
- NGOs have a significant role in improving the standard of living and reducing the poverty.
- NGOs are also contributing in important research and education for development of the country.
- NGOs supplements government efforts. Today’s youth is nation’s future hope. NGOs play a vital role in education. NGOs try to reach the under privileged children and youth and make sure they get education.
- NGOs help to bring about sustainable development of the country since NGOs are active in most of the fields that bring about the economic and social growth and concern for the environment.
- Many NGOs are actively bringing about social mobilization on issues like empowerment of women, human rights, environment concern through campaigns, rallies or workshops.
- The corporate sector along with the NGOs are bringing sustainable development. NGOs play an important role in CSR activities. NGOs being more knowledgeable about social structure and social problems, expert advice
or assistance of NGOs is very useful for corporate sector in executing their CSR activities.

**Significance of NGOs in India’s Five Year Plans:**

The voluntary organizations play an important role in formulating policies in India’s Five Year Plan. “The Planning Commission had realized that the task of development was so large and complex that the State alone would not be able to accomplish it. Accordingly the very First Five Year Plan document had carried a plea to voluntary organizations to become involved in the task of development, mainly by implementing government programmes. Appropriate financial provisions were also made for them. Beginning with allocation of Rs. 4 crore in the First Plan, the voluntary sector has been receiving increasing amounts of public funds. In the Eighth Plan it rose to 750 crore and multiplied in subsequent plans.”

The news in “THE HINDU” – New Delhi, December 6, 2010 says – “Planning Commission seeks inputs from NGOs, social groups for 12th Five Year Plan (2012-2017)”19. The role of NGOs has been very important in formulating policies, giving inputs and suggestions right from the First Five Year Plan till date.

**2.6 STRENGTHS AND WEAKNESSES OF NGO:**

As in case of any other type of organization, every NGO has its own set of strengths and weaknesses. No thumb–rule could be applied to list the strengths and weaknesses of NGOs as no two NGOs are totally identical. In general following are the most common strengths and weaknesses of NGOs:

Strengths of NGO:

- Proximity to grass root levels: NGOs are close to community and can understand people’s needs and expectations. This is the major strength of NGOs. There is clarity about the nature and extent of problem or need prevailing in the community.
– Enthusiasm and inner drive of the members: NGO people have an inner drive towards social cause and they are enthusiastic about their work which results in timely achievement of their goals.

– Creativity and innovation: NGOs are generally known for their creative and innovative nature. Due to their freedom in working, NGOs are not under any kind of pressure of doing a job in a particular way, which in turn make them think creatively and brings innovation.

– Quality of work: NGOs utilise the funds economically as already most of the NGOs face shortage of funds. NGOs projects or activities are met in time and have long term effect.

– Speed of work: The communication is faster in case of NGOs since they do not contain long chain of commands in the organization. Fast communication, flexibility, field experience and field presence of NGOs increase the working speed.

Weaknesses of NGO:

– Dependence on donors: This is the biggest weakness of NGO which makes them unsustainable. Most of the NGOs are dependent on external funds for running their projects. In absence/ shortage of funds, the work of NGOs is slowed down or even stopped till the funds are available.

– Lack of skilled manpower: Technical ability is required for running the projects successfully, which is not available easily for NGOs. Also in NGOs working in rural areas or remote places, there is problem of inadequacy of trained people which is really a challenging situation.

– Limitations with long term and large scale projects: NGOs are efficient in short range projects, but they might find big projects difficult to manage because of insufficiency of funds and inadequacy of suitable manpower. The NGOs are close to grass roots but may be unaware of global socio – economic scenario which may make them unsuitable for large scale projects.
Strengths and Weaknesses of NGOs according to World Bank:

Because the nature and quality of individual NGOs varies greatly, it is extremely difficult to make generalizations about the sector as a whole. Despite this diversity, some specific strengths generally associated with the NGO sector include the following:

- strong grassroots links
- field-based development expertise
- ability to innovate and adapt
- process-oriented approach to development
- participatory methodologies and tools
- long-term commitment and emphasis on sustainability
- cost-effectiveness

The most commonly identified weaknesses of the sector include:

- limited financial and management expertise
- limited institutional capacity
- low levels of self-sustainability
- isolation/lack of inter-organizational communication and/or coordination
- small scale interventions
- lack of understanding of the broader social or economic context

According to Shastri, “Nature and quality of individual NGOs varies greatly, it is extremely difficult to make generalizations about the sector as a whole. Despite this diversity, some specific strengths and weaknesses generally associated with the NGO sector includes the following” (Table 2.1).
Table 2.1: Strength and weaknesses associated with the NGO sector

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong link with grassroots</td>
<td>Lack of Experienced Manpower</td>
</tr>
<tr>
<td>Empirical expertise</td>
<td>Limited financial assistance</td>
</tr>
<tr>
<td>Innovative ability</td>
<td>Focus on short range objectives</td>
</tr>
<tr>
<td>Democratic work culture</td>
<td>Political influence</td>
</tr>
<tr>
<td>Cost effectiveness</td>
<td>Legal obligations</td>
</tr>
<tr>
<td>Long term Commitment</td>
<td>High rate of growth in number of NGOs</td>
</tr>
<tr>
<td></td>
<td>High corruption rate</td>
</tr>
</tbody>
</table>

2.7 HISTORY OF NGOs

The concept of ‘philanthropy’, defined as the ethical notions of giving and serving to those beyond one’s immediate family, has existed in different forms across most cultures throughout history, often driven by religious tradition (Ilchman 1998). Philanthropy, charity, voluntary work existed in various religions and cultures from long back.

NGOs origin goes back to nineteenth century or even earlier than that but the term “NGO” came into use in 1945, when the United Nations (UN) was created.

Industrial Revolution (1700-1900) began in Great Britain and within a few decades had spread to Western Europe and the United States and eventually in the whole world. There were major changes in manufacturing process, technology, agriculture and transportation. The Industrial Revolution affected the social, economical and cultural conditions of human life. There were major problems related to lower class masses like health and sanitation issues, child labour, women suffrage. The child labour existed even before Industrial Revolution, but it worsened due to increase in population. Labourers at factories, manufacturing units were working and
living in unhealthy and unsafe environment. In this period of time, most of the NGOs were active in child labour, women suffrage and anti-slavery movement.

By the end of the twentieth century due to globalization and advancements in transportation and telecommunications, there was rapid increase in number of NGOs at local, national and international levels.

According to David Lewis and Nazneen Kanji (2009), most NGOs emerge from relatively small-scale origins and grow over time into larger and more complex organizations. Korten (1990) has explained the evolutionary process of NGOs in four generational terms (Table 2.2). The four generations are: First generation – Relief and welfare, Second generation – Community development, Third generation – Sustainable Systems Development, Fourth generation – People’s movements. In the first generation, an NGO provides relief and welfare services directly to the beneficiaries on urgent basis, for example – distribution of food or providing health facility. “In the second, NGOs shift towards the objectives of building small-scale, self-reliant local development initiatives, as they acquire more experience and build better knowledge, and may become more influenced by other agencies, such as donors. A stronger focus on sustainability emerges with the third generation, and a stronger interest in influencing the wider institutional and policy context through advocacy. In the fourth generation, NGOs become more closely linked to wider social movements and combine local action with activities at a national or global level, aimed at long-term structural change. Korten’s (1990) generation model is useful because it explores the way that some NGOs change, influenced by both external pressures and internal processes.”
Table 2.2: Korten’s schema of the four development NGO strategy ‘generations’

<table>
<thead>
<tr>
<th>Generation</th>
<th>First (relief and welfare)</th>
<th>Second (community development)</th>
<th>Third (sustainable systems development)</th>
<th>Fourth (people’s movements)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem definition</td>
<td>Shortage</td>
<td>Local Inertia</td>
<td>Institutional and policy constraints</td>
<td>Inadequate mobilizing vision</td>
</tr>
<tr>
<td>Timeframe</td>
<td>Immediate</td>
<td>Project life</td>
<td>10-20 years</td>
<td>Indefinite future</td>
</tr>
<tr>
<td>Scope</td>
<td>Individual or family</td>
<td>Neighbourhood or village</td>
<td>Region or nation</td>
<td>National or global</td>
</tr>
<tr>
<td>Main actors</td>
<td>NGO</td>
<td>NGO plus community</td>
<td>All relevant public and private institutions</td>
<td>Loosely defined networks of people and organizations</td>
</tr>
<tr>
<td>NGO role</td>
<td>Doer</td>
<td>Mobilizer</td>
<td>Catalyst</td>
<td>Activist/ educator</td>
</tr>
</tbody>
</table>

Source: adapted from Korten (1990)^26

2.8 HISTORY OF NGOs IN INDIA

“NGOs in India have their origins in ancient times: written in 1,500 BC, the Rig Veda, the ancient Aryan Scriptures, promoted the values of dharma (personal obligations), jeev daya (humanitarian concern and a concern for all living things) and voluntarism and philanthropy (Iyengar 2000; Mishra et al. 2006; Sen, S.1997)^27. India has a long history of civil society based on the concepts of daana (giving) and seva (service)^28. In ancient India, concept of charity emerged from religious beliefs. The noblemen or kings used to give daana to the needy people. Daana generally used to be the annadaana (offering food, grains, edibles). This daana and seva was done to receive blessings or good wishes from the people.

In the medieval era, voluntary work was focused on education, health, cultural promotion and natural calamities such as droughts, floods. “Voluntary organizations
proliferated and actively participated in various fields of social action during the British rule. They were engaged in social welfare activities, literary and relief works.”

The first half of the nineteenth century (1800 to 1850) was the era of social reform movements. Various social reformers like Raja Ram Mohan Roy, Ravindranath Tagore, Dayananda Saraswathy, Iswara Chandra Vidyasagar, Kesava Chandra Sen, Ram Krishna Paramhansa, Sayyed Ahmed Khan, Swami Vivekananda, Vinoba Bhave, Keshab Chandra Sen and Mahatma Phule had focused their work to eliminate practices like Sati (a recently widowed woman would immolate herself on her husband’s funeral pyre), child marriage, caste discrimination, untouchability and promote practices like widow remarriage and inter-caste marriage. During this period many organizations were formed, to name a few- Atmiya Sabha (1815), Brahma Sabha (1818), Dharma Samaj (1830), Widows Remarriage Association (1850), Satya Shodhak Samaj (1873), Arya Samaj (1875), the National Council for Women in India (1875), Indian National Social Conference (1887), the Ram Krishna Mission (1898). This increased number of NGOs resulted in the Societies Registration Act of 1860. This act gave the legal identity to the NGOs. During this period voluntary work was in the field of education, health services, relief and welfare. “A firm foundation for secular voluntary action in India was not laid until the Servants of India, a secular NGO was established in 1905.”

“The emergence of Mahatma Gandhi into the Indian political arena during 1916-17 changed the complexion of the national movement and also that of voluntarism. The period marked the beginning of a more principled and value-based voluntary action in India.” According to Mahatma Gandhi, India’s problem was poverty of rural masses. His constructive work aimed towards developing self sufficient villages. He encouraged the masses to make use of charkha (spinning wheel), khadi (handwoven cloth) and gramudoyog (village industries). “Gandhiji’s Constructive Work became part of the mass national movement for political freedom and he insisted that political freedom must go hand in hand with a sense of social
responsibility”.

Many organizations were formed at this time which were based on Gandhiji’s constructive work.

After independence, government recognized the importance of voluntary sector and carried out various welfare, relief and development programmes. In 1951, India’s first five year’s development plan (1951 to 1956) came into existence. In 1953, Central Social Welfare Board (CSWB) was established for promotion of voluntary organisations. Then voluntary organizations started getting government funds through Grant-in-aid. “In the early fifties, with the introduction of National Community Development Programme and National Extension Service, started the process of decentralization of voluntary efforts in development. Further decentralization took place with the introduction of a three tier Panchayati Raj in 1958.”

“Association for Voluntary Agencies for Rural Development (AVARD) came into existence in 1958 to provide a national level common platform of voluntary agencies spread across the country.”

“In the period (1970-1990), civil Society space started increasing from 70s, NGO’s started highlighting that why government programme not yielding positive results for poor and marginalized, presented new model for development with people’s participation. With this new model NGO’s covered vast program areas like education, primary health care, drinking water, sanitation, small irrigation, forest regeneration, tribal development, women’s development, child labour, pollution safety etc. later on many of these models were included in govt programme and policies.”

“A recent Report on Non Profit institutions in India (March 2012) by the National Accounts Division, Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India (“MOSPI Report”) 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”.

This data shows there was rapid growth in number of NGOs from 1970s. From then till date, NGOs are recognized as development partners of the state. There is emphasis on role of NGOs in every Five Year Plan of India.
## 2.9 FACTS AND FIGURES ON NGOS

Table 2.3: Evolution of NGOs in India

### I] Evolution of NGOs in India

<table>
<thead>
<tr>
<th>Period</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre Independence</td>
<td>Social welfare, Constructive work (inspired by Gandhian philosophy) very much in line with independence movement</td>
</tr>
<tr>
<td>1950-1970</td>
<td>Social welfare, Govt. funded and managed NGO like Khadi Industries. India’s five year’s development plans came into existence, Most of the development works were rested with NGO’s</td>
</tr>
<tr>
<td>1970-1990</td>
<td>Civil Society space started increasing from 70s, NGO’s started highlighting that why govt. programme not yielding positive results for poor and marginalized, presented new model for development with people’s participation. With this new model NGO’s covered vast program areas like education, primary health care, drinking water, sanitation, small irrigation, forest regeneration, tribal development, women’s development, child labour, pollution safety etc. later on many of these models were included in govt programme and policies.</td>
</tr>
<tr>
<td>1990-2005</td>
<td>GO-NGO partnership got a boost in this period; NGO focus is more on Self Help Groups, Micro Credit, Livelihood. NGO participation is ensured in policy formation and programme implementation</td>
</tr>
</tbody>
</table>

*(Sources: Discussion with Chinese Delegate, 7th June 2005 at PRIA)*
II] Total number of NGO

1. PRIA [Source: Invisible, Yet Widespread: The Non-Profit Sector In India, December 2002, PRIA]

Table 2.4: Total number of NGO

<table>
<thead>
<tr>
<th>Total Number of NGO</th>
<th>1.2 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Based</td>
<td>53%</td>
</tr>
<tr>
<td>Urban Based</td>
<td>47%</td>
</tr>
<tr>
<td>Unregistered</td>
<td>49.6%</td>
</tr>
</tbody>
</table>

2. From Wikipedia: Non Governmental Organisation

India is estimated to have around 3.3 million NGOs in year 2009, which is one NGO for less than 400 Indians, and many times the number of primary schools and primary health centres in India.

3. The Indian Express – 7.7.2010, Wednesday

First official estimate: An NGO for every 400 people in India:

India has possibly the largest number of active non-government, not-for-profit organizations in the world. A recent study commissioned by the government put the number of such entities, accounted for till 2009, at 3.3 million. That is one NGO for less than 400 Indians, and many times the number of primary schools and primary health centres in India.

According to the government study, the largest number of NGOs are registered in Maharashtra (4.8 lakh), followed by Andhra Pradesh (4.6 lakh), UP (4.3 lakh), Kerala (3.3 lakh), Karnataka (1.9 lakh), Gujarat (1.7 lakh), West Bengal (1.7 lakh), Tamil Nadu (1.4 lakh), Orissa (1.3 lakh) and Rajasthan (1 lakh). More than 80 per cent of registrations come from these 10 states.
III] SIZE OF NGO (in terms of manpower)

PRIA (Source: Invisible, Yet Widespread: The Non-Profit Sector In India, December 2002, PRIA)

Table 2.5: SIZE OF NGO (in terms of manpower)

<table>
<thead>
<tr>
<th>Category of staff</th>
<th>Percentage of NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>One or less paid staff</td>
<td>73.4</td>
</tr>
<tr>
<td>Between 2-5</td>
<td>13.3</td>
</tr>
<tr>
<td>Between 6-10</td>
<td>4.8</td>
</tr>
<tr>
<td>Above ten paid staff</td>
<td>8.5</td>
</tr>
</tbody>
</table>

IV] FUNDING MECHANISM IN INDIA

All India estimates of total receipts of NPOs for 1999 – 2000 were Rs. 17922 crores (one crore equivalent to 10 million)

SOURCES OF FUNDING IN INDIA: PRIA (Sources: Discussion with Chinese Delegate, 7th June 2005 at PRIA)

Table 2.6: Sources Of Funding In India

<table>
<thead>
<tr>
<th>Sources</th>
<th>Percentage of Total Fund (app.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local (peoples contribution and Corporate Contribution)</td>
<td>80%</td>
</tr>
<tr>
<td>Government</td>
<td>13%</td>
</tr>
<tr>
<td>International</td>
<td>7%</td>
</tr>
</tbody>
</table>
TYPES OF FUNDING: PRIA (Source: Invisible, Yet Widespread: The Non-Profit Sector In India, December 2002, PRIA)

Table 2.7: Types Of Funding

<table>
<thead>
<tr>
<th>Types</th>
<th>Percentage of Total Fund (app.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self Generated</td>
<td>51%</td>
</tr>
<tr>
<td>Loans</td>
<td>7.1%</td>
</tr>
<tr>
<td>Grants</td>
<td>29%</td>
</tr>
<tr>
<td>Donations</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

DOMINANT ACTIVITIES IN INDIA: PRIA (Source: Invisible, Yet Widespread: The Non-Profit Sector In India, December 2002, PRIA)

Table 2.8: Dominant Activities in India

<table>
<thead>
<tr>
<th>Type of Activities</th>
<th>Percentage of NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious</td>
<td>26.5%</td>
</tr>
<tr>
<td>Community/Social Service</td>
<td>21.3%</td>
</tr>
<tr>
<td>Education</td>
<td>20.4%</td>
</tr>
<tr>
<td>Sports/Culture</td>
<td>17.9%</td>
</tr>
<tr>
<td>Health</td>
<td>6.6%</td>
</tr>
<tr>
<td>Others</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

2.10 NGOs AND THE GOVERNMENT

The NGOs and the government both share one common intention of development of nation. The Government of India has recognized the potential of NGOs, which is evident in the India’s five year plans and various schemes of government for NGOs. NGOs are closer to the community, and have information and knowledge base about current situation related to number of issues like problems of women, child labor, health and sanitation, environmental degradation. The NGOs act as a communication channel between general public and government by sharing such information. NGOs, especially those working to provide various services – health, education, nutrition, rural development- act as a buffer between the state and people. NGOs ensure that the
voice of the impoverished people is heard (Desai 1999). NGOs at times act as ‘contractors’ of the State for implementing government designed and sponsored schemes for the people.” NGOs have active role in influencing the government policies that affect the society.

The working of NGOs as compared to government is more timely and cost effective on account of the facts that NGOs have strong grass root links, better field work expertise, flexible and adaptive nature. Unlike government’s method of working where total process of project implementation is quite lengthy, NGOs are comparatively faster in action. According to the Report of the Steering Committee on Voluntary Sector on Tenth Five Year Plan (2002-2007) “Developmental activities undertaken with people’s active participation have a great chance of success and can also be more cost-effective as compared to the development activities undertaken by the Government where people become passive observers.” The NGO sector is weaker than government when it comes to financial independence. Most of the NGOs often face scarcity of funds and are dependent on donors (like funding agencies, government, individual donors).

The government acts as one of the major sources of funds for NGOs. Government has different funding schemes under various Ministries of central government. Most of the NGOs are dependent on funds from government. NGOs in India are registered under various acts like Societies Registration Act 1860, Bombay Public Trusts Act 1950. These Acts are regulated by Government. NGOs have to abide by the rules and regulations and regulatory mechanism laid by government under these Acts. Income Tax Act 1961 is the legislation relating to finance enacted by government on NGOs. For regulating the in-flow of foreign funds to the NGOs, Foreign Contribution (Regulation) Act, 1976 was enacted which is now replaced by its improved version as Foreign Contribution (Regulation) Act, 2010.

### 2.11 SOURCES OF FUNDING OF NGOs:

The NGOs rely on funding from variety of sources for their projects, administrative costs and their overall functioning. These sources could be internal sources like membership fees or could be external sources like funding from government. NGOs may depend on some large number of donations or more small number of donations.
I] **Internal sources:** Internal sources of funding are membership fees, subscriptions, interests/dividends, sales of products, individual donations and rent.

**Membership fees** – Annual fees charged for becoming a member of the organization is the membership fees.

**Subscription** – Fees is charged by the organization for subscribing in-house magazine or bulletin or any other type of publication.

**Interests/dividends** – On any short term or long term investment of NGO, interest/dividend is received.

**Sales of products** – Funds are raised by sale of products like handicraft items, food items and candles that are generally prepared by the beneficiaries.

**Individual donations** – Any member of the NGO may give funds from his pocket as individual donation.

**Rent** – In case the NGO leases out its property like office, rent becomes the internal funding source.

II] **External sources:** External sources include Government, Foundations, Trusts, Funding Agencies, Corporations, Public donations, Self financing.

**Government** – “By and large, funds from government to the work of voluntary organizations have been coming right from independence. Central Social Welfare Board and Khadi and Village Industries Corporation are two early examples of funding the work of certain types of activities of Voluntary Development Organisations”[^40]. The Central and State Governments have many schemes of various Ministries and Departments in the areas like Education, Health, Children and Women welfare, Human Resource Development, Environment, Rural Development. Many NGOs receive funds from government to work on their projects.

**Foundations, Trusts, Funding Agencies:** National Foundations/ Funding Agencies, Foreign/international foundations / Funding Agencies and Trusts are one of the major sources of funds for NGOs.
**Corporations:** Corporate sector includes the corporations and business houses acting as a funding source for NGOs.

**Public donations**: Donations given by an individual or a group of individual for charitable cause, fall under this category. According to a national (India) survey covering around 28 percent of urban India and concluded in August 2001 by Sampradaan.

96% of upper and middle class households in urban India donate to a charitable cause. The total amount donated is Rs. 16.16 billion.

### 2.12 INTRODUCTION TO MANAGEMENT

Management means managing any activity, carrying out the activity in such a way that it leads to achievement of goals in time. It is a problem solving process of effectively achieving organisational objectives through the efficient use of scarce resources in a dynamic environment.

Management is applicable in every sphere of life. It is applicable from household activities to business activities. Management principles are helpful in any type of organization – small scale to large scale, profit organization to non-profit organization to meet the objectives and targets in time.

**Definitions of Management:**

There are different opinions about Management. Different experts and scholars have defined management in a different way. Some have defined management as an art, some have defined management as a series of steps with specific functions. Definitions according to various experts is given below:

**Peter Drucker** has defined management as, “Management is a multipurpose organ that manages a business and manages manager, and manages worker and work”.

F.W. Taylor has defined management as, “Management is knowing exactly what you want men do, and then seeing that they do it in the best and cheapest way.”

Henry Fayol has quoted management as – “To manage is to forecast, to plan, to organize, to co-ordinate and to control.”

As per Mary Parker Follett, “Management is the art of getting things done through people.”

George R. Terry defines management as “A process consisting of planning, organising, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources.”

**Importance of Management:**

1. **Achievement of goals** or meeting targets in time: Every organization has some goal to accomplish and has target line. By proper planning, direction, coordination and control over all activities, one can achieve goals and meet the targets of organization in time.

2. **Stability and growth:** Management ensures the effective and optimum utilization of available resources of the organization. It controls the various activities and operations, integrates the functions.

3. **Change and development**- Organization that follows management concepts, is aware of the changing environment and can foresee the development in future.

4. **Efficiency and effectiveness** – Management functions are Planning, Organizing, Leading and Controlling. These functions bring efficient and effective human efforts and operations.
Significance of Management

Management has significant role to play in all type of organisations, whether profit organisations or non-profit organisations, whether small or large. Principles of management are applicable at all levels of organisation – top, middle and bottom level. Management is applicable in all the areas of the organisation like finance, Marketing, Production, and Sales.

Functions of Management (Process of Management):
Management is a process consisting of different stages which are the functions of management. The important functions of management are planning, organizing, leading and controlling.

Figure 2.1: Functions of Management

1. PLANNING
   Setting goals and deciding best methods to achieve them

2. ORGANIZING
   Allocating and arranging resources

3. LEADING
   Influencing others to work towards goals

4. CONTROLLING
   Regulating activities to reach goals

Planning:

Planning is the basis of other major functions of management – organizing, leading and controlling.

Planning is deciding in advance what is to be done, when it is to be done, how it is to be done and why it is to be done. There are two types of planning – strategic
planning and operational planning. Strategic planning means planning for long range goals and the broad approaches for achieving them. Operational planning means planning for short range objectives and the specific means used to obtain them and on the related managerial activity of decision making.

Organizing:
After planning, next step is organizing. In organizing according to the plan, arrangement for allocation of resources is done. Job responsibility based on skills possessed by human resource is prepared. Establishment of proper communication system and coordination is also part of organizing.

Leading:
Leadership, communication and motivation are the important components in leading. It involves motivation and directing. It is the management function that involves influencing others to carry out work to meet organizational goals. A good leader builds up a team spirit and cooperative efficiency.

Controlling:
Controlling implies having ‘control’ over the various activities, operations of the organisation to ensure that actual performance is close to expected (standard) performance of the organization. Close control and monitoring or check is required on ongoing activities and wherever necessary corrective action should be taken immediately.

2.13 CONCEPT OF MANAGEMENT IN NGOs:
As mentioned in Chapter I, according to Peter Drucker, non profit organizations need management all the more, because they do not have a conventional bottom line. The corporate sectors and business organisations have objectives of profit making, so they adhere strictly to management principles to achieve the maximum results. NGOs do not have objectives of profit making, but they also need to follow management principles as there is always the shortage of resources in most of the NGOs.
Objectives or Mission statement:
Every organization, profit or non-profit, commercial or welfare, small or large needs to define its objectives. Without defining the objectives, an organization remains directionless. Objectives are important in laying down the targets and measuring organizational performance.

A mission statement throws light on the reason for organisations existence, who would be the beneficiaries and their needs / problems, which strategies will be employed to solve these problems / satisfy their needs, and what is to be achieved. In case of NGOs, Mission / Mission statement satisfies this need. For deciding the objectives / Mission, the general requirements are:

i) Identifying a problem
ii) Finding probable solutions to the problems
iii) Measures to be taken / products to be distributed / marketed
iv) Beneficiaries to be rescued from the problem

Every NGO must have a properly defined mission statement.

Planning:
In most of the NGOs, long term plan (plan for 3-5 years) may not be available. This is because NGOs are dependent on external sources of funds like donations, grants etc. Unless they have been sponsored by big corporate houses or they are funded by Government. The NGOs who are always in need of funds and face scarcity of funds cannot have long term planning. In fact they are so much occupied in solving present problems with the existing work going on. In such cases long term planning is almost absent. NGOs at a time or undertake two or more projects at a time. Project implementation requires planning, arrangement and allocation of resources and time management.

For implementing the project / achieving any goal, thoughtful and considerate planning is essential. In case of NGOs, planning may involve following:

i) Designing the projects to achieve the targets
ii) Plan of project activities

iii) Formulating strategies for implementing the project

iv) Identifying various requirements like manpower, method of implementing the project, funds requirement etc.; in short the need of Man, Machine, Material, Money.

Organising:
In NGOs following are the areas that need organising:

i) Marketing:
In present days, where boom in NGOs is observed, it has become vital for NGOs to market themselves. Marketing is essential for creating awareness of general public, donors and beneficiaries about the work NGOs are undertaking and services being offered by NGOs. Websites and brochures are some methods of marketing of NGOs. Marketing is equally important in commercial sector as well as non-profit sector.

ii) Staffing:
In NGOs, manpower comprises of paid staff and volunteers. The volunteers could be students, social workers or any person who is willing to work for a social cause, benefit of society. Staffing process involves identifying jobs according to needs of organization, recruitment of human resource based on their qualification and skills, providing training as per need. Staffing is an important component of human resource management.

iii) Financing:
In case of NGOs, funds are generated by various means like public donations or Government / Corporate grants or sale of products produced by them, workshops, charity shows and personal donations by the members. There is no fixed ‘income’ as such. Many a times it happens in NGOs that the project gets stuck up at some stage due to insufficient funds. There is always a gap between the funds requirement and funds generated. NGOs need to plan financing methods and should take fund raising as an important activity. They should not rely on one single source of fund, rather they should look for more options.
Proper financing involves investment of surplus available funds so that more resources are generated by way of interest / dividend or capital gains for future use; this also ensures optimum utilisation of available resources.  

iv) Project implementation:  
After marketing, staffing and financing, project implementation starts. Management concept is very important for successful implementation of project.

Controlling:  
It includes monitoring that the activities are going as per the pre-decided planning, comparing the actual findings with the estimated standards. If there is any deviation from the standards, there is need to take corrective action in time. In NGOs controlling is very important to avoid misuse or wastage of scarce resources. Different measures of control in NGOs are:

i) Feedback: The feedback from the beneficiaries for service / facility / help provided by NGOs is an informative source for improvement in working of NGO. NGOs should have some methodology to collect feedback of beneficiaries, know their opinions and non desirable things (if any), their suggestions for further improvement.

ii) Budget: It is an important aspect of controlling. It is used as a control device by matching revenues and expenses for the concerned department against the budget projections. A periodic performance evaluation is necessary to ensure that performance is in line with projections. In case there are any deviations, corrective actions should be taken and if required, the budget projections may be revised.

iii) Performance Control: This refers to comparing the actual performance to the standard performance, actual output to the standard optimum output.
2.14 PROJECT FORMULATION IN NGOs

**Project**: As stated in a UN publication entitled ‘Manual of Economic Development Projects’, project is defined as “the compilation of data which will enable an appraisal to be made of the economic advantages and disadvantages attendant upon the allocation of country’s resources to the production of specific goods and services.” As such project means the specifications and accomplishments, within a given period, of related set of activities that will result in a measurable change in any system’s capacity to improve the status of the community directly or indirectly.

Project is a target based and time framed activity. NGOs work on specific objectives which are based on their mission. These objectives in form of a project are implemented in pre-decided time frame and resources.

**Origin of Project**:

The decision of taking up a project emerges from the researchers, evaluations or studies conducted by the training institutes / Universities, from the people, pressure groups, social activists, Government, or from within NGO. It is essential to ensure that the project is:

a) according to the socio-economic policy of NGO;
b) according to the priority needs of the people;
c) linked properly with the objectives and goals of the planning;
d) it fits into the overall economic and social development of the society;
e) properly linked with the projects in the allied area; and
f) capable of achieving useful and permanent results.

**Project Formulation**:

The project formulation needs more time. The funding organizations have their own criteria which NGOs have to follow. The funder should be satisfied the concept of NGO’s project. Therefore NGOs have to accurately plan the projects considering all the factors; economic value, social importance of project and sustainability of project.
Project formulation is a thoughtful process which needs experience. Project formulation requires these steps: conceptualization, planning, setting objectives, organising, budgeting and fund raising.

**Figure 2.2: Steps in Project formulation:**

1. **Conceptualization**
2. **Planning**
3. **Objectives**
4. **Organising**
5. **Budgeting**
6. **Fund raising**

**Step 1: Conceptualization**
In this step the basic purpose of project is decided based upon some need or problem existing in community. After identifying the problem, the team of human resource of NGO along with some experts analyse the problem and finalise the action plan for solving that problem.

**Step 2: Planning**
Planning involves plan for allocation of all resources that are required for implementation of projects. In NGOs participation from all levels – top to down – is required. Staff, volunteers, all members should be involved in planning.

**Step 3: Objectives**
Targets should be clear and achievable in decided time frame.
Step 4: Organising
Organising involves arrangement and allocation of all resources that are required for successful implementation of project.

Step 5: Budgeting
A budget is an important document for assessing the financial requirements on an NGO. A budget is normally prepared for a period of one year, which may be financial year or calendar year. If there are various branches, then budget should be prepared for every branch first and then should be consolidated at central level.

The income and expenditure side should always be balanced showing deficit or surplus. If there is deficit then sources to meet the deficit should be indicated or the measures to reduce the expenditure should be stated. A budget should be realistic and accurate; it should also take care of certain unforeseen expenditure.

Step 6: Raising funds
Fund raising is a very important and essential activity for NGOs. NGOs have to convince the donors by presenting a good project proposal which is worth. Fund raising involves identifying and listing donors, approaching the donors with project proposal. Fund raising is not an easy activity, since there is high population of NGOs. A competent NGO is successful in getting funds in time.

2.15 OPINIONS (OF EXPERTS AND EXPERIENCED PEOPLE FROM NGO SECTOR) ON MANAGEMENT OF NGOs:
- NGOs need to understand the importance of Management. This is surprising to note that big NGOs, NGOs working from last 20-25 years or NGOs supported by or formed by big corporate or business houses are also not good at their management. They need to understand, how to work effectively (Refer Annexure 8)
- As compared to societies and trust, management is better in section 25 companies (Refer Annexure 9). Management of section 25 company is like management of any other private company. Proper organization structure exists. Roles and responsibilities are clear and identified (Refer Annexure 10).
- Section 25 companies work systematically. As compared to Society and Trust, human and financial resources are managed in a better way in Section 25 company (Refer Annexure 11).

- Transparency is must in NGOs. A transparent NGO doesn’t face problems in getting funds. The people in the Managing Committee / Trustee Board should have high morale. If these people are disciplined and have philanthropic value, all other people working for the organization follow them (Refer Annexure 13).

- NGOs should follow self-regulation. People are the regulatory bodies. If a NGO is doing good work, people reward that NGO by their belief and support in various forms like participation in rallies for social cause, donating money. Role of NGOs should be of catalyst (Refer Annexure 13).

- The effective management of human and financial resources dependent does not depend on size (budget) of NGO. “Size does not matter, intent and internal values does” (Refer Annexure 14).
SUMMARY:

Charity had its roots in ancient India. The term, “NGO” came into existence in 1945. Role of NGOs in development of nation was recognised by government of India, and emphasised in every five year plan of India. Government introduced various schemes for funding NGOs. NGOs started getting recognized as ‘third sector’ or ‘NGO sector’.

NGOs dependency on donors makes the concept of management, an essential element in their activities. NGOs need to manage their projects in such a way that they achieve optimum utilization of available resources. Like commercial organizations, non-profit organizations also have to plan their budgets, resources, time lines and goals.

NGOs have legal existence, but complexities come along with the legal system – the next chapter talks about legal systems and complexities of NGOs.
References:


8. *Ibid* 2, Page 19

9. *Ibid* 6, Page 38

10. *Ibid* 7, Page 6,7


13. *Ibid* 6, Page 40

14. *Ibid* , Page 40

16. *Ibid* 1, Page 1
17. *Ibid* 1, Page 2
25. *Ibid* 23, Page 13, 14, 15
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30. *Ibid* 28
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33. *Ibid* 25, Page 10
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35. http://www.avard.in/about1.aspx#Genesis
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http://www.vaniindia.org/content.php?id=48, (Sources: Discussion with Chinese Delegate, 7th June 2005 at PRIA)


39. Reference 1, Page 257


43. *Ibid*

44. *Ibid* 42


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49. *Ibid* 1, Page 44

50. *Ibid* 1, Page 45

51. *Ibid* 1, Page 46

52. *Ibid* 7, Page 528

53. *Ibid* 7, Page 529

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54. *Ibid* 1, Page 47
55. *Ibid* 1, Page 49