CHAPTER - I
MANAGEMENT OF FUNDS OF NON PROFIT ORGANISATIONS
A CASE STUDY OF SELECTED RELIGIOUS TRUSTS IN
MAHARASHTRA WITH SPECIAL REFERENCE TO SHRI
GAJANAN MAHARAJ SANTHAN SHEGAON

1.1 INTRODUCTION

There are lots of organizations in the society. Most of the needs of the society are satisfied through organizations. Very few people can satisfy their needs through their own efforts. Organizations represent an effective way of solving problems collectively faced by individual and society. These organizations can be classified according to their ownership and objectives with which they are operated. On this basis we can classify them into four types of organizations.

Firstly they can be classified as privately owned and publicly owned organizations, Secondly, whether they are operated for profit or some other objective.

The examples of private profit organizations are sole proprietorship, partnership and private corporations. In public sector profit oriented organizations are state owned public enterprises like BHEL, BSNL, etc.

The examples of private non-profit organizations are museums, private hospitals, private Universities, private associations, private charities and religious trusts. In public sector we have non-profit organizations like Government agencies, post and telegraph services, public schools, public hospitals, Aided colleges & universities etc.

Amongst these categories, private non-profit organizations tend to carry out a social purpose.

1.2 DEFINITIONS OF NON–PROFIT ORGANISATIONS

There are varied definitions of non-profit organizations. The definitions are given by different people in different contexts. According to Encyclopedic Dictionary of Commerce “Non-Profit Institutions: Those institutions who either explicitly or implicitly do not exist to make a profit, for example many educational institutions”.

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1.2.1 Non-Profit–Making:

Operating under rules which require all income to be applied to future activities of the same type (usually charitable) and forbidding distribution of profit to, suppliers of capital. (The term is not to be taken literally: non-profit making organization may make profits for its own purposes but not in order to enrich others).

1.2.2 Non-Profit Making Organizations:

People join together in voluntary organizations like sports clubs, trade unions, consumer co-operatives, politics, associations, automobile associations, medical associations, educational institutions, hospitals and so on for various reasons: for mutual entertainment, for protection, for professional reasons, or for the promotion of art and culture. The aim of such organizations is to pursue of some interest other than financial gain. Nevertheless, these organizations must have money to promote their activities and money must be honestly accounted for. The officer elected for this purpose, the treasurer, collects subscriptions from the members and spends the money on such activities as are needed for achieving the aim of the organization. At the Annual General Meeting, the Treasurer submits suitable final accounts to the members.

“An incorporated organization which exists for educational or charitable reasons, and from which its shareholders or trustees do not benefit financially. Any money earned must be retained by the organization, and used for its own expenses, operations, and programs. Many non-profit organizations also seek tax exempt status, and may also be exempt from local taxes including sales taxes or property taxes. Well-known non-profit organizations include Habitat for Humanity, the Red Cross, and United Way. Also called not-for-profit organization.”

A non-profit organisation is formed for the purpose of serving a public or mutual benefit other than the pursuit or accumulation of profits for owners or investors. “The nonprofit sector is a collection of entities that are organizations; private as opposed to governmental; non-profit distributing; self-governing; voluntary; and of public benefit. The nonprofit sector is often referred to as the third sector, independent sector, voluntary sector, philanthropic sector, social sector, tax-exempt sector, or the charitable sector”.

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“A non-profit organization (abbreviated as NPO, also known as a not-for-profit Organization is an organization that does not distribute its surplus funds to owners or Shareholders, but instead uses them to help pursue its goals. Examples of NPOs include charities (i.e. charitable), trade unions and public arts organizations. Most of the Government’s and government agencies meet this definition, but in most countries they are considered a separate type of organization and not counted as NPOs. They are, in most countries exempt from income and property taxation.”

“A business organization that serves some public purpose and therefore enjoys special treatment under the law”, Nonprofit corporations, contrary to their name, can make a profit but can't be designed primarily for-profit-making.”

1.3 Classification of Non-Profit Organisations for Tax Exemption:

The National Taxonomy has classified nonprofit organizations into nine major groups of entities for tax exemptions:

1. Arts, culture, humanities;
2. Education;
3. Environment and animals;
4. Health;
5. Human services;
6. International, foreign affairs;
7. Public societal benefit;
8. Religion related;

1.4 Theories regarding existence of Non-Profit Organisations Today:

“There are economic, historical, and political theories regarding the reason why nonprofit organizations exist in today's society”.

1.4.1 Economic Theories

1.4.1(a) Market Failure: This theory is based on the premise that very few people desire a service or program to attract for-profit corporations to provide such services. Also, the fact that an organization exists without a profit-motive instills trust in the constituent.
1.4.1(b) Government Failure: The Government will not provide a service because of high cost or limited interest by the public. If there is not a large presence of constituents demanding a response from government, then the government is not likely to act. A small group of individuals can create a nonprofit organization to provide mutually desired services rather than trying to convince a majority of citizens to support such efforts. There is also a cultural resistance to "big" government. Citizens are skeptical about the government being involved in all aspects of community life.

1.4.2 Historical Theory: Communities in America were formed well before formal government. Citizens were forced to come together to address issues within their communities and work together to form a solution. Even when government developed a presence within a community, citizens were afraid of the bureaucracy and often sought out solutions through voluntary association. Religion also provides a strong foundation for charity and altruism through scripture and a sense of duty taught within the church.

1.4.3 Political Science Theory: Nonprofit organizations provide an avenue for civic participation. People are able to assemble and work toward a common goal with intent to benefit the public. Nonprofit organizations provide an outlet for pluralism and solidarity.

1.4.4 IMPORTANCE OF NON-PROFIT ORGANIZATIONS

In a book by Lester Salamon called America's Nonprofit Sector, the author concludes that the nonprofit sector exists to serve four critical functions: The significance of NPO can be summerised as follows:

1.5 Providing of Service: Nonprofit organizations provide programs and services to the community. Often times, nonprofits are formed or expanded to react to a community need not being met by the government. Nonprofits also tend to have the ability to act faster than government in response to an issue. Nonprofits do not have to
wait for a majority of citizens to agree upon a proposed solution. Rather, they have the ability to react to a specialized need or a request by a small group of citizens.

1.5.1 Value Guardian: Nonprofit organizations provide a mechanism for promoting individual initiatives for the public good. Nonprofit organizations provide a means by which members of a community can take action in an attempt to change the community they live in. These actions may take the form of developing a local neighborhood watch program or, on a larger scale, developing an organization that responds to world relief efforts.

1.5.2 Advocacy and Problem Identification: Nonprofit organizations provide a means for drawing public attention to societal issues. Nonprofit organizations make it possible to identify significant social and political concerns, to give voice to under-represented people and points of view, and to integrate these perspectives into social and political life.

1.6 ELEMENTS OF A NON-PROFIT ORGANISATION

The NPO consists of the following elements:-

1.6.1 Clients: Everything in a nonprofit is ultimately directed to serving clients. Clients are the "consumers" or "customers" of the nonprofit's services. Services can be in the form of tangible or intangible products.

1.6.2 Board: The board is comprised of individuals from the community and, ideally, is representative of the organization's clients. The board is in charge, and directly accountable for the overall direction and policies of the organization. Powers are given to the board by the bye laws. The board can configure the nonprofit in whatever structure it prefers to meet the organization's mission and usually does so via specifications in bylaws. Members of nonprofit boards are generally motivated by a desire to serve the community and the personal satisfaction of volunteering. Nonprofit board members may not receive monetary compensation for serving on the board.
1.6.3 **Board Chairman:** A board chairman’s role is central to coordinating the work of the board, executive director and committees. The chairman’s role may have appointive power for committees, depending on what is specified about his role in the bylaws. The power of the board chairman is usually through persuasion and general leadership.

1.6.4 **Committees:** Typically, the board chooses to carry out its operations using a variety of board committees.

1.6.5 **Executive Director:** The board typically chooses to have this one person who is ultimately responsible to carry out the wishes of the board. The executive director is directly accountable for the work of the staff and supports the work of the board committees. For more information, see the library topic Chief Executive Role.

1.6.6 **Staff:** Staff report to the Board of Director and may support the work of the committees.

1.6.7 **Volunteers:** Volunteers are unpaid personnel who assist staff, serve on committees and generally work under the direction of the Chairman or Director.

1.7 **Nature and goals**

NPOs are often charities or service organizations; they may be organized as a not-for-profit corporation or as a trust, a cooperative, or they may be purely informal.

Sometimes they are also called foundations, or endowments that have large stock funds. A very similar organization called the supporting organization operates like a foundation, but they are more complicated to administer, they are more tax favored, and the public charities that receive grants from them must have a specially determined relationship.

Foundations give out grants to other NPOs, or fellowships and direct grants to participants. However, the name foundations may be used by any not-for-profit corporation even volunteer organizations or grass roots groups.
1.8 Legal aspects

There is a wide diversity of structures and purposes in the NPO landscape. For legal classification and eventual scrutiny, there are, nevertheless, some structural elements of prime legal importance:

1. Economic activity;
2. Supervision and management provisions;
3. Representation;
4. Accountability and Auditing provisions;
5. Provisions for the amendment of the statutes or articles of incorporation;
6. Provisions for the dissolution of the entity;
7. Tax status of corporate and private donors;
8. Tax status of the foundation.

Some of the above must be, in most jurisdictions, expressed in the document of establishment. Others may be provided by the supervising authority at each particular jurisdiction. While affiliations will not affect a legal status, they may be taken into consideration in legal proceedings as an indication of purpose.

Most countries have laws which regulate the establishment and management of NPOs and which require compliance with corporate governance regimes. Larger organizations are required to publish their financial reports detailing their income and expenditure for the public. In many aspects they are similar to business entities though there are often significant differences. Both non-profit and for-profit entities must have board members, steering committee members, or trustees who owe the organization fiduciary duty of loyalty and trust. A notable exception to this involves churches, which are often not required to disclose finances to anyone, including church members.

1.9 SITUATION IN INDIA

In India, NPOs are commonly known as Non-Governmental Organizations (NGOs). They can be registered in four ways:

1) Trust
2) Society
3) Section-25 Company
4) Special Licensing
The following laws or Constitutional Articles of the Republic of India are relevant to the NGOs:

a) Articles 19(1) (c) and 30 of the Constitution of India
b) Income Tax Act, 1961
c) Public Trusts Acts of various states
d) Societies Registration Act, 1860
e) Section 25 of the Indian Companies Act, 1956
f) Foreign Contribution (Regulation) Act, 1976

1.10 RELIGIOUS TRUSTS

Religious organizations and charitable trusts are found in all countries of the world. They play an important role in the promotion of religion, culture, education, medical relief and advancement of welfare to the general public. The religious organizations are popular in India and several statutes have been enacted to provide machinery for their effective functioning temples and maths is supplementary in nature with regard to the spiritual welfare of the people. Most of the religious and charitable institutions are registered as Public Trusts in India. They render considerable help to the humanity in the country. They carry their activities with the aid of gifts, grants, donations and charities received from the public.

“Religion has generally formed one of the most important factors in the life and history of all nations. In India, it has animated social life in an exceptional measure and the concept of dharma has commanded universal allegiance throughout the subcontinent in all its history.” Religion had been the most dominant factor influencing the socio-economic development of the people in the country. These religious institutions act as one of the most powerful agencies of the modern times and govern every aspect of human life in the society. Maharashtra is the land of deities and saints, and they are the eternal monuments for preserving and propagating of Indian heritage, culture, and civilization. The state of Maharashtra which is the place of confluence for the culture of north and south is very famous for the temples having the historical, architectural and archaeological importance.

The temples and maths are the places of worship and also served as centres not only for the dissemination of knowledge on the spiritual side but also enlighten the
public in every walk of social, educational, cultural and other such fields. People from all over the country would gather and worship together in the temples unmindful of the region, language and creed they belonged. In fact, the places of worship would serve as useful institution for national unity and integration. There were 551477 temples, charitable institutions, maths, agaries, churches, educational and other charitable institutions located in the state of Maharashtra up to June 2010. They are governed by BOMBAY PUBLIC TRUSTS ACT OF 1950. Of these 55361 where Hindu religious trusts, 4738 Muslim trusts, 1290 parsi trusts, 783 christen trusts, 56970 trust registered with trust deed and 432335 educational / social and general purpose trusts i.e. societies converted into trusts. Apart from this there are three other special acts for administration of certain special important trusts namely: 1) Pandharapur Temples Act, 1974, 2) Shri Siddhi Vinayak Ganpati Temple Trust (Prabhadevi) Act, 1980, 3) Shri. Sai Baba Sansthan Trust, Shirdi, Act 2004.

1.11 ABOUT SHRI GAJANAN MAHARAJ SANSTHAN, SHEGAON

The special significance of Shri Gajanan Maharaj Sansthan, Shegaon lays in the fact that religious trust in the State of Maharashtra because of transparency in its functioning and the only trust that has taken all its decisions unanimously without any reservations since its formation. The Shri Gajanan Maharaj Sansthan Temple is located at Shegaon in Buldhana District of the State of Maharashtra. This trust was formed in the presence of Shri. Saint Gajanan Maharaj. The day & place of his Samadhi was declared by Shree well in advance with his celestial vision. “YA JAGI RAHIL” (I will stay Here), these words were very evocative. As per his directions, a joint meeting of devotees, businessmen, and villagers of Shegaon was organized on Sawant 1885 Ashwin Shukla.1 (12/09/1908) at the shop of late Narayan Kartaji. Sansthan’s foundation was laid in the divine presence of Shri Gajanan Maharaj. Further different meetings were conducted and some important rules were framed in the presence of Shri Gajanan Maharaj.

1.12 NEED AND IMPORTANCE OF THE STUDY

India is a sacred land of holy temples rich in architectural and sculptural beauties. The temples have an important place in the socio-economic development of
the people and contribute to the idea of national integration. They play a prominent role in preserving and propagating Indian Arts and culture. There are other religious organizations like in the country. They all provide spiritual welfare to the people who belonged to the respective religious systems. These organizations afford opportunities to the people for country. The socio-cultural aspects vary widely from one region to the other. Religion is one of the social institutions in the country and it the product of human ingenuity with the purpose of enabling man to be at peace with himself and with the supposed agency that would guide and control the universe. The religion would differ from place to place and has undergone numerous developments from time to time yet retaining substantially in some form or the other of its basic principles and practices.

Under the Hindu religious system, the SGMSS is considered “Prati Pandharpur” and the biggest charitable institution of Vidarbha Region of Maharashtra which has been providing all the requisite services to the poor and deserving over the past so many years through innovative schemes. It is the biggest institution from the point of view of pilgrims it would attract, the number and variety of functions it performs, its income and expenditure which had been rapidly growing in recent years. How the income is being utilised, is therefore, a matter of public concern.

There has always been a section of people who asserted that the Government should not interfere in the matter of religion and charity. There are others who hold the opposite view, perhaps on equally strong base to the Government interference and control into the conduct of religious institutions, if the religious institutions seem to be drifting away from their prime goals or when things go wrong with them. But whatever may be the justification, unqualified and unrestricted Government control in matters concerning religion could be undesirable and unwarranted. Therefore, it was felt desirable to go into all aspects of this issue and make possible suggestions. The operations of the SGMSS are not only confined to the propagation of Hindu religion, but also enter into the national life by extending its helping hand for social upliftment of the people in the country. Apart from the worships provided in the temples for pilgrims, the SGMSS is providing extensive facilities and amenities to visiting pilgrims for their comfortable stay when they come for darshan of the Shrine of Shri Gajanan Maharaj. So far, no attempts was made for a comprehensive study of the administration and finances of of religious institutions in Maharashtra and with
special reference to the SGMSS, which is considered to be most transparent religious institute in Maharashtra. In recent years, by launching various schemes and programmes, the activities of the SGMSS have spread over to different parts of the country. It was felt desirable to go into all aspects of administrative and financial matters and investment pattern of the SGMSS to have a close look on its effective functioning. There had been a lot of dissatisfaction among the public over the working of different religious institutions in the State and on their utilization of funds. The present study seeks to understand and examine the distinctive features of financial and administrative aspects of the SGMSS. Due to growing importance of SGMSS in diverse fields, a study on the administration and finances of the SGMSS is now perhaps most appropriate.

1.13 EARLIER STUDIES

The studies conducted in areas related to present study are surveyed and reviewed. The review is made to assess the research ability of the topic. There have been a few studies in India which seek to examine working of religious institutions. Among them, the work of K.A. Nilkanta Sastry is mentionable, who had studied the development of religion in South India in early sixties. His study gave an account of the development of various religions in South India. N.S.Ramaswamy studied about fifty important temples in South India. His study dealt with the general historical background of temples in Andhra Pradesh, Karnataka, Kerala and Tamil Nadu and does not dwelve on the administrative and financial aspects of religious organizations like the Tirupati Tirumala Devasthanam.

R.K.Das studied the temples of Tamil Nadu particularly their history and development. He did not touched the administrative and financial aspect of the temples.

N. Ramesan discussed in detail the geographical, historic and development aspects of over 23 main temples which existed in different parts of Andhra Pradesh including the temples of Tirumala.

During 1962-67, A. Surya Kumari studied the temples in Andhra Desa Sushil Madhava Pathak studied the performance of American missionaries and the growth of Hinduism in America in sixties.
Ziauddin and Desai studied the functioning of mosques in India. Their main thrust was on the construction of important mosques in India and the donations, grants made available by the then rulers to the mosques and their management. Lewis N. Hope studied some of the important religious systems of the world. His thrust was entirely on the distinctive features of different religions in various countries.

S. Subbaramaiah studied the finances of an Indian temple with particular reference to Tirumala temple. His study covered the period of 12 years from 1951 to 1963. He discussed some aspects of finance.

V.K. Bhaskara Rao studied the organizational and financial management of religious institutions with special reference to TTD. He covered the period of 10 years from 1974 to 1983 for his financial analysis. He made the exhaustive study of revenue and expenditure of TTD and also the services provided by the TTD.

Henry Cousins studied the Medieval Temples of Deccan, it was the architectural study. A.U. Naik studied the temples in Deccan from Archeological point of view.

Dr. Prabhakar Deo studied the art and architecture from 4th to 13th century. Mr. Thosar studied the Historic Geography of Maharashtra and Goa. Dr. G.C. Shelke and others surveyed and studied the inscriptions on temples in Marathwada during 1968-69.

It is seen from the above review of literature, that there are not many consistent and authoritative works on administration and finances of the SGMSS. the study aims at study of finances of the SGMSS in depth. It is, therefore, felt appropriate that such transparent and unique religious trust which has taken all its decisions without any reservations since its registration, deserves a detailed study to gain some insight into financial management of the premier service organization like the SGMSS. In this study, a modest attempt is made to analyze the SGMSS finances for the period from 1998-99 to 2007-08.

1.14 OBJECTIVES OF THE STUDY
The main objectives of the study are to:

(i) Know the concept and formation of Non-Profit Organizations;
(ii) Study the distinctive aspects of management and organization in religious institutions with particular reference to SGMSS;
(iii) Analyze the structure of, pattern and magnitude of major items of income and expenditure of the SGMSS;
(iv) Examine the views and attitudes of pilgrims to various aspects of facilities provided by the SGMSS administration;
(v) Suggest measures for effective organization and management of finances of the SGMSS.

1.15 HYPOTHESIS
The study is exploratory in nature and the following assumptions are adopted as hypothesis for verification:
1. That religious trust (SGMSS) provides satisfactory services & management.
2. That the SGMSS trust gets sufficient funds to meet its objectives.

1.16 RESEARCH METHODOLOGY
The present study is undertaken to analyze the financial aspect of the selected trust. The study is based on primary as well as secondary data. The primary data has been collected from 250 respondents (pilgrims) by administering structured questionnaire. The respondents were selected on the basis of random sampling. The secondary data sources include Financial Records / Annual Reports / Auditors Statement, Articles, Publication of the trusts etc. The details have been gathered from Charity Commissioner Mumbai & Joint Charity Commissioner Buldhana under RTI Act. The financial records for the period 1998-99 to 2007-08 have been taken for the present study.

1.17 SCOPE OF THE STUDY
The present study is designed to make an attempt at the micro level to understand and critically examine the distinctive features of the financial administration and management of religious institution like SGMSS. The scope of study covers the History, Organisation, financial and administrative aspects of the SGMSS. The profiles of various other religious organizations in Maharashtra have also been briefly surveyed. The main religious institutions covered are Hindu religious organizations, Muslim Wakf Boards, Christian Missionaries and Sikh Gurudwaras. A critical study of financial management of the SGMSS, particularly
aspects relating to revenue and expenditure pattern and some policy aspects of the administration has been attempted. The investments and utilization of SGMSS funds have been reviewed analytically. The present study covers a period of 10 years starting from the year 1998-99 to 2007-08.

The scope of the study is limited to the study of SGMSS. The efforts are made to know about the organization & management of the SGMSS & various activities under taken by it.

An effort will be made to know financial resources & their application for the objectives of the trust to know its effectiveness.

1.18 LIMITATIONS OF THE STUDY

Due to time & resource constraints the researcher has selected Shri. Gajanan Maharaj Sansthan, Shegaon from amongst 55361 various Hindu religious trusts registered under B.P.T. Act, 1950 up to June 2010 in Maharashtra. It has been selected for Study because of Transparency in its management. However it has been studied in depth.

Though the aim of the researcher is to analyze all the available data for ten years however, the study shall be limited to the available data.

1.19 CHAPTER SCHEME

The Chapter I deals with the definition, classification of NPO’S theories regarding existence of NPO, importance of NPO, elements of NPO, about religious trusts, Shree Gajanan Maharaj Sansthan, Shegaon, the need of the study, survey of Literature, Hypothesis, Scope and Limitations of the Study.

Chapter II deals with the History and management of religious trusts. In this chapter the review of the administration of the religious trusts in various States has been taken. The review of Hindu Religious Institutions in Maharashtra, Muslim Charities, Development of Christian Missionaries, Management of Missionaries and Sikh Religious Institutions has been taken.

Chapter III deals with Shree Gajanan Maharaj Sansthan Shegaon’s activities in respect of Spiritual Work, Medical Sector, Mahaprasad, Education Activities, Activities for pilgrims, Library, Cloak Room, Water Supply Scheme, Cultural Centre, Anand Sagar, etc. have been described. This chapter also covers information about the
sacred places visited by Shree Gajanan Maharaj, authorized branches of the sansthan, special features of SGMSS, public utility work of SGMSS and objectives of SGMSS.

In Chapter IV the Analysis and Interpretation of Financial Statements is made. It is covering following aspects: Analysis of Capital Receipts, Revenue Receipts, Capital Expenditure, Revenue Expenditure, Funds and Liabilities of SGMSS.

Chapter V deals with the Analysis and Interpretation of Non Financial Data which is collected by conducting survey of 250 Respondents through a Structured Questionnaire asking for Opinion of Pilgrims about the different aspects of services. The data is analyzed through Single Factor Analysis and Cross Factor Analysis based on Region with all factors and Age with all factors. In this chapter the Hypotheses is also verified.

Chapter VI deals with the Conclusion and Suggestions. It is made in three parts. First Part being based on Analysis of Financial Data, Second Part is based on Analysis of Non Financial Data and Third Part of Suggestions & Conclusions.
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