Chapter – 7

CONCLUSION AND SUGGESTIONS

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7.1 CONCLUSION
The main issues involved in our study, as mentioned in the objectives (chapter 1, p. 5) have been to: review the activities and role of NGOs with particular reference to NGOs operating in West Bengal; study different approaches to assessment being adopted by NGOs; identify the problems associated with the evaluation of NGO projects; evaluate the performance of NGOs in utilization of grants particularly for the underprivileged section of the society; examine the accounting system followed by the NGOs in West Bengal; find out lapses of the present accounting system and suggest a modified and improved accounting system of the NGOs based on the findings of the study. Through a case study, an attempt has been made to assess whether the accounting and reporting practices of NGOs are in tune with the users' needs. Because of diverse practices being followed by NGOs for preparation of financial statements, as revealed from the study, there is an immediate need for consolidating the entire gamut of issues under one umbrella. A model accounting system for achieving the goal of uniform accounting practices and better presentation of financial statements has been suggested in this regard (Chapter 6, pp. 231 - 244). However, the Institute of Chartered Accountants of India (ICAI) at the national level and International Accounting Standards Board (IASB) at the International Level may think of issuing Guidance Notes or a Financial Reporting Standard for this purpose. On the basis of the study related to the field of research work and taking into consideration the results of the case study, we venture to give some more suggestions in section 7.2 in addition to the suggested accounting framework given in chapter-6 for the improvement of the prevailing scenario. Limitations of the study and scope for further research work have also been stated briefly thereafter in section 7.3 and section 7.4.
7.2 SUGGESTIONS

In this section issues like book-keeping, accounting for grants, performance measurement, governance in NGOs, leadership in NGOs, management in NGOs, financial sustainability of NGOs, accountability of NGOs and commercial ventures have been covered.


  SIDA suggests that:
  
  o Cash book entries should not be pending for more than seven days at any point of time;
  
  o Unnecessary blank lines or blank pages should not be left in the cash book and in the ledger;
  
  o Cutting and alterations of figures should be avoided as far as possible.
  
  o A covering voucher should be used for each entry, including those for which a cash memo is available;
  
  o Instead of printing different sets of receipt vouchers, cash vouchers, payment vouchers and journal vouchers a simpler alternative is to print a voucher that can take care of all these transactions and
  
  o All FCRA vouchers and supporting documents must be marked with a rubber stamp. Current vouchers must be filed subsequently and not be kept loose.

- **Accounting for Grants**: NGOs receive grants from government as well as from other national and international agencies. In case of accounting for grants, the principles of accounting laid down in Para -13 of the Accounting Standard (AS) -12 should be followed. It is suggested that grants received by the NGOs should be initially treated as liability because it is the duty of the NGOs to utilize the grant for the purpose for which it has been received. Therefore, only the utilized amount may be treated as income. Under this method, the unspent or overspent balance is shown as liability or asset in the Balance Sheet and the unspent balance is deducted from the grant received in the Income and
Expenditure Account. This matches the amount of the grant and the expenditure exactly. However, the unspent balance can be deducted from the total grant in the Income and Expenditure Account but if there is overspent balance, it cannot be added to the income.

All assets, liabilities, income and expenditures are fairly stated if this method is followed. Besides, the inherent advantage of this method is that it has got legal sanctity. The ICAI has also recommended this method in its *Technical Guide on Accounting and Auditing* in Not-For-Profit organizations, issued in February, 2003.

- **Performance Measurement**: NGOs should undertake measures to assess their performance at regular intervals. The results of performance measurement are not only useful in gaining additional funds but are also essential for internal governance and management control as well as external reporting and fund-raising. Future economic success of NGOs 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 *Performance Prism* developed by Cranefield School of Management (formerly at University of Cambridge) states that the focus of any organization should be on *stakeholder satisfaction* and *stakeholder contribution*. Thus it is recommended that NGOs should choose performance benchmarks appropriate to their mission and objective that can be highlighted in the annual report informing potential donors and other stakeholders how they are accomplishing their mission.

  The adapted *Balanced Scorecard Framework to NGOs* derived by Kaplan in 2001 is an important performance measurement tool in this respect. He found that this tool helps organization achieve focus and alignment and to ultimately bring strategy to their life. He explicitly defined the role for strategy in a non-profit Balanced Scorecard. He also stated that the organization should focus its limited resources on a limited set of objectives and constituents. The Balanced Scorecard enables NGOs to bridge the gap between ambiguous goals and day-to-day operations. It creates a process, which encourages strategic focus by shifting the organization’s focus from programmes to the outcomes, for which the programmes were designed to accomplish.
Another technique, Oregon Benchmark Planning System can also be used by the NGOs using both qualitative and quantitative data. This system emphasizes results and measures outcomes where possible, otherwise it measures inputs and activities. Specifically this system has developed a set of 259 benchmarks that track progress towards their brand strategic goals. Historical data is used to establish a baseline for each benchmark and to set an appropriate target for the future. Success of this performance measurement tool depends on the ability of the management and the infrastructure to aggregate and roll-up outcome data from the programme level to report effectively and meaningfully. This planning system has been recognized in the U.S.A. and has won several prestigious awards for organizational performance evaluation.

- Governance in NGOs: To help an NGO successfully move forward and to increase the performance of these organizations to realize their vision and mission as well as their goals and objectives, it is essential that its affairs are managed on the basis of sound governance principles notwithstanding the fact that it is not a commercial entity. Governance – the manner in which power is exercised in the management of organizational resources in order to achieve the organizational mission – is of critical importance for NGOs. The essence of NGO governance standards and the road to governance in NGOs are also under the purview of this brief discussion.

In a highly competitive, globalized and digitized operating environment characterized by reduced donor flight and a myriad of questions by governments and other stakeholders on accountability, transparency, value addition, legitimacy and overall credibility of NGOs, good governance has emerged not only as a tool to enhance professionalism but, more importantly, to ensure that NGO-interventions are effective, sustainable, efficient and positively perceived by all stakeholders including governments, target communities and donors. The credibility of an organization can be enhanced by adherence to the principles and practices of good governance. Governance is concerned with processes, policies, procedures, systems and practices, both formal and informal, the manner in which they are applied and
followed, the relationships that these processes create or determine, and the nature of these relationships. For improvement of the governance in NGOs, the following actions are suggested:

- **There should be instructions handbook for governing the NGOs.** The handbook would address roles and functions of boards versus management, values, philosophy, vision and mission, procedures for board operations, criteria for board appointments, principles of good governance and evaluation mechanisms;
- **raising awareness among NGOs that for effective governance and sustainability of NGOs, a positive and enabling environment needs to exist.** Leaders need to create a culture of ownership and shared values with staff and facilitate an empowering culture within an organization; and
- **development of a model charter of actions and by-laws for NGOs.**

(i) **NGO Governance Standards:** There are limits to the ‘road across’ from corporate and regulatory governance to NGO governance because NGOs have their own special features. Their role as voluntary organizations distinguishes them from the government sector and their not-for-profit status distinguishes them from business. But it is difficult to argue that the standards that apply to them should be any less exacting. Some are indeed careful not to make exaggerated claims about whom they represent and not to claim that they represent civil society as a whole. But most claim to operate in ‘the public interest’; many are important and influential interlocutors of companies, governments and international organizations; many aim to influence public opinion or governments more generally, and some claim to be ‘representative’ of a broader public opinion. Given these roles and claims, it is in NGOs’ own self-interest to be able to show that they operate to high standards. Moreover, the emergence of internationally agreed standards could help all the actors involved – governments and international organizations, businesses and NGOs themselves – to develop more predictable and reliable relationships.
Road to Good Governance in NGOs: The road to good governance in NGOs, like in any other form of enterprise, begins with empowering the top management - the board of directors/governors/trustees, whatever be the nomenclature. Various governing bodies, including executive and advisory Boards, exist with varied effectiveness. Some function without clear and distinct roles and responsibilities, and do not have complete independence from management processes. Thus, there is a need to focus on understanding the roles of Boards; dealing with potential conflicts between founder members and younger professionals; Code of Conduct for Boards; leadership development; sustainability; and appropriate management models. Many organizations have well documented management policies and systems but need to strengthen their capacity in results-based management. Long-term strategic plans are required for NGO development. Emphasis should now be laid on the gaps in governance and leadership, with a focus on senior management and Boards. This focus will challenge leaders to create an enabling environment in which there is proactive leadership development.

- Leadership in NGOs: Leadership in the context of this study refers to strategic management that is to be carried out by the members of the governing body and the chief executive. Very simply put, leadership is the process of establishing direction and influencing others to follow that direction. The definition, leadership is the ability to influence, is totally relevant as governing bodies strategize on the direction organizations should take, and the overall management and programme priorities.

Good leadership seeks to develop a clear vision and mission for an organization, and conducts planning that determines the goals needed to achieve this vision and mission. Often the leadership style adopted (autocratic, democratic, participatory and laissez-faire) depends on the situation and is usually linked to the life cycle of the NGO. Effective leadership requires vision and commitment, and individuals who start NGOs require both. There is an urgent need to strengthen leadership in NGOs and institute process of succession and actions such as:

- developing a capacity development programme for future leaders;
institutionalizing a capacity-strengthening programme for sustainability of NGOs at all levels. This would include issues such as succession planning, community participation, and mobilization of local resources, investment planning and alternatives for income generation;

- documenting and disseminating good practice in leadership development; and

- developing and conducting 'mentorship' training.

**Management in NGOs:** Management refers to decisions and actions by staff working in an NGO that is necessary to implement decisions made by the leadership. While leaders determine policies and strategic direction, managers operationalise these policies through procedures, systems, rules and operational plans.

The current managers and leaders of large national and transnational NGOs come mostly from the public sector and many bring with them the experiences and practices of a well established public sector that may not be the most appropriate for the NGO sector. As more young and well-qualified persons join the NGO world, there is potential for conflict between leaders and programme staff. Management capacity among the NGOs varies. It is highly inadequate in smaller NGOs but well established among older and large NGOs.

Problems in the management of NGOs are evident and there is a need to take some actions to resolve them. The following suggestions are put forward in this regard:

- Conducting training in Results-Based Management (RBM) to improve the management capacity among NGOs.
- Developing a training manual in RBM and train a pool of NGO officials.
- Developing a model organizational structure based on the principles of team management.
- Conducting skill training in project development and management for programme staff.
- Conducting training in resource mobilization.
- Conducting training in service quality standards.
Facilitating the development of strategic plans among NGOs. These plans should include programme strategies as well as systems and practices for management of people and finances.

**Financial Sustainability of NGOs**: A great majority of NGOs depend almost entirely on donor funding. When donor funds cease, many collapse. The challenge of financial sustainability has been taken up by very few NGOs. Reducing dependency on donor funding through mobilization of local resources, cost recovery, identifying alternative sources of revenues and investments will have to be addressed immediately.

The sustainability of an NGO is dependent on a number of inter-related elements including:

- the organization’s responsiveness to changes in needs, interests and priorities - the changes arise from shifts in the broader social, political and economic environment;
- the need to develop a diverse range of organizational forms (e.g. alliances) to meet needs and interests in a strategic and ethical manner;
- the importance of building strong relationships with central and local government, the private sector, the media and the beneficiaries;
- the availability of appropriate support and resources from the donors;
- the need to attract, develop and retain appropriate human and financial resources; and
- the importance of creating an enabling environment and fiscal framework.

**Accountability of NGOs**: Accountability in NGOs is receiving increased attention. Beneficiaries are becoming more informed about what to expect from NGO services and, as a consequence, are becoming more critical. Funding agencies are also becoming more insistent about accountability. These factors are increasing the pressure on NGOs to have policies, standards and benchmarks for service which the beneficiaries can understand so that they can make comparisons and judgements.
Accountability refers to final responsibility for the successes or failures of an organization. This final accountability is usually with the governing body, which delegates this function to the chief executive. Since NGOs get most of their funding from donors, to be used for the communities that they plan to assist, accountability for NGOs should be examined on several levels: accountability to the donors; to the beneficiaries; to the employees; and to other stakeholders.

Although NGOs raise billions of dollars each year, yet there is no accepted benchmark for evaluating the effectiveness of NGOs in their stated missions. NGOs are not subject to the standards of budgetary and governance oversight that apply to government officials or listed companies in democratic States.

Instances of NGO misconduct have highlighted the need for greater NGO accountability. Misconduct in relation to advocacy, using of funds, management and governance raise questions about the legitimacy of NGOs and their congruency with social values and expectations. In our study, a number of NGOs have ignored the fact that they are answerable to key stakeholders and the constituency that they work with, for promises of performance. Therefore, as the role of the NGO in solving problems of human rights, poverty, environment, and peace-building increases, there is a need for enhanced accountability in all sectors to foster and consolidate greater democracy. NGO credibility is also important for developing institutional arrangements for global governance in a shrinking and interdependent world.

- **Commercial Ventures**: The NGOs operating in specific areas like welfare of women and children, vocational/ technical training, education, tribal development, environmental programmes, etc. can use the expertise and distribution channels of the corporate entities to create wealth for the programme-beneficiaries instead of merely acting as distributors of donations. However, establishing a sustainable business particularly by NGOs with societal commitment is not an easy task. They face several challenges like requirement of capital, brand building etc. This is where building partnership with the corporate entities may help the NGOs to a
great extent. Ideally, an NGO-Corporate partnership in developing commercial arm of an NGO would help in supporting the social cause on a sustainable basis.

7.3 LIMITATIONS OF THE STUDY

The present study is not free from certain limitations. Some of the limitations are mentioned below.

- A period of three years (2000-2001 to 2002-2003) only has been considered for our study due to non-availability of accounting records and also reluctances of the NGOs in providing relevant information for a large number of years.

- Analysis has been made on the basis of data collected from the respondents through a structured questionnaire in course of personal interviews. Authenticity of data provided could not be verified due to non-availability of annual reports or any other published information in respect of most of the NGOs.

- The effective sample consists of 146 NGOs only. The size of the sample could not be increased substantially, primarily because of difficulties in administering questionnaire through personal interview with the officials of the NGOs in different districts scattered over various parts of West Bengal.

Nevertheless, as the study throws some light on the ongoing accounting and reporting practices of NGOs in West Bengal and how to make this system more focused to the needs of the users, the present study is expected to serve as a pointer to the accounting and reporting practices of NGOs in West Bengal in particular and Non-Profit Organizations in general.
7.4 SCOPE FOR FURTHER RESEARCH WORK

While conducting the study, many issues relating to the NGOs, where further research work can be undertaken came into the minds of the researcher. A few such areas are mentioned below.

- A comparative analysis of accounting and reporting practices of NGOs operating in West Bengal and that of other States in India can be done.
- A study on the performance of NGOs in West Bengal in specific areas like poverty alleviation, women empowerment/gender development, population policy, micro financing etc. may be undertaken.
- An in-depth study on implications of Academic-NGO collaboration may be carried on.