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AN ANALYTICAL PERSPECTIVE OF FUNDING PATTERN OF NGOs - A CASE STUDY IN UDUPI DISTRICT

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Abstract

Generation of and mobilization of funds is a complicated task for nonprofit organizations since the nonprofit organizations don't have a legitimate right of making profits. In order to sustain themselves they need to have continuous cash flows which they get through different sources like self-generation, through activity based income, member contributions, individual donations, corporate donations, state funding, grants from NRIs and grants from International NGOs. Recession has affected equally the for-profit and nonprofit organizations. International NGO's have suffered a setback on account of reduced cash flows from the donors. This paper touches upon the different financial aspects of funding of NGO's like sources of funds obtained by the organizations, the variations in the receipt of funds and the cause for the variation during the crucial period of 2004-2009. In this paper an attempt has been made to identify the impact of recession on the funding of Non-Governmental Organizations in India. The present study concludes that the NGO's depending on the local funding sources are less affected by recession than the ones depending on international sources of finance.

Introduction

Non Governmental organization is a non-for-profit agency not affiliated with any government or private sector entity, devoted to managing resources and implementing projects with the goal of addressing social problems. Funds are highly essential for the survival of Non Governmental Organizations. Normally an NGO may draw its funds from internal and external sources. Internal sources include membership contribution, sponsorship fees, sales, interests etc. External sources include the funds collected within India and outside India. The external sources within India include grant in aid (from central or State Government), donations in kind such as, medicines, books, food items etc, private institutional or grants from Parent NGOs, corporate bodies, tourists/visitors etc. The external sources outside India include bilateral funding, multilateral funding, private institutional funding, overseas non-resident communities etc. Recession has resulted in a downturn in the economic activities the world over. Naturally, this has affected the funding of the Non Governmental Organizations, which depends on the foreign fund. There have been reports about the Indian NGO's too suffering reduction in the flow of foreign funds.

Literature Review

1. A report titled “Global meltdown leaves NGO sector in dire straits” published in “One world South Asia Home” on 9th April 2009 observes that Non-profit sector the world over is under severe stress due to the economic recession and the future too appears bleak. Many NGOs are resorting to cutbacks in budgets and programmes, wage freezes, travel restrictions and even laying off staff.
2. “The Global Impact of the Financial Crisis: Main Trends in Developed and Developing Countries” a report published in OECD on Dec 8, 2009, observes that “Developing countries have suffered the effects of the financial crisis in a number of ways, some of which are similar to the problems in developed countries. Cutbacks in funding from NGOs with consequent effects on the number of projects that can be sustained are common. Indeed, some projects have been cut back mid-term, with donors behind on pledges”.
3. “Recession has hit us hard, say NGOs” a report published in Times of India on Sept 2001 speaks how the Indian NGO’s have been affected by recession.
4. “Strategic Marketing for Nonprofit organizations” , by Alan R. Andreasen and Philip Kotler, has a chapter on developing resources which speaks about the generation of funds , attracting human resources and working with the private sector by NPO’s.
5. Article written by Deepak Kumar titled “NGO’s: Roles and Responsibilities” in the book NGO’s an introduction focuses on the roles played by the NGO’s in improving the social welfare.

The Present Study:

This study titled “An Analytical Perspective of Funding Pattern of NGO’s- A Case Study in Udupi District” is exploratory and descriptive in nature. It is also an empirical study as it is based on the observations and measurement of the reality of some cases of NGO’s selected for the study. It is a qualitative analysis of the units under study.

Objectives of the present study:

- 1) To analyze working of the selected NGO’s
- 2) To analyze the sources of funds of the Selected NGO’s during the time period 2005 to 2009.
- 3) To evaluate whether there has been variation in the receipt of funds in the light of recession.
- 4) To identify the causes for the variation in receipt of funds.

Methodology:

This study has been conducted after a thorough literature review. The study is dependent on both primary data and secondary data. Sources of secondary data involve the research publications, articles published in the journals, brochures, annual reports of the selected sample units. Primary data has been collected by personal observation and through survey method which involved administering a questionnaire to the selected units. The area of this study is confined to Udupi district covering Udupi and Kundapur taluks. A sample of seven units has been selected on the basis of random sampling method. Financial data for the periods 2004-2009, have been collected, as these years are significant in the context of recession. The collected data has been analyzed and presented in the form of charts and tables and meaningful interpretations have been drawn.

The units selected for study are:

- 1) Sadhana Samaja Seva Vedike, Maravante
- 2) Sarvodaya trust, Udupi
- 3) GUARD, Udupi,
- 4) Padi-valored, Udupi
- 5) Spoorthi, Kundapur
- 6) Namma Bhoomi, Kundapur
- 7) Bharathiya Vikasa Trust, Manipal

Case study of selected NGO's of Udupi district :

Sadhana Samaja Seva Vedike was established in 1984 in Maravante under the Chairmanship of Mr. Janardhan Achar . Its main objective is facilitating women, children and youth developmental activities. Their main source of funds comprises of local contributions and money sanctioned under the MP's funds. They do have self generated source of income by taking up catering work, newspaper selling etc. The project expenditure over a period of five years consists of 70% domestic funds and 30% owned and self generated funds. They do get contribution from some temples. This NGO has not been affected by recession as the donor's funds have increased over the years.

Sarvodaya trust was established in the year 1999 in Udupi district with the objective of facilitating rural planning and development with a nonprofit objective. The trust was established with the owner's fund of Rs.40, 000 and the trust's major source of funds for its activities are derived from the projects of zilla panchayat for rural planning and development. The flow of funds for this trust has been mainly from the government sources and through the self generated sources. Members feel that the government's work of rural planning and development has not been hampered by recession and the fund flow from the government for these projects has been constant since its inception.

GUARD – Group for Urban and Rural development is a nonprofit organization registered under the Karnataka Societies Registration Act 1960 established by professional social workers from the Tata Institute of Social Sciences Mumbai in the year 1983. The annual funding has been Rs. 20 lakhs from the government which has been paid in installments. For the year 2008-2009, the project expenditure had been 25 lakhs, while the government sanctioned only 20 lakhs for both the projects. The unit has seen reduction in the flow of funds where they feel that recession could be the reason or that the government has certain other priorities in mind. The unit has reported that the foreign funding to the centre unit of guard has also reduced as the funding was received for specific projects and those projects have been completed. Any shortfall in the funds is made up by receiving funds from the head office while the staff salary has been reduced and the budgeted allocation of funds for programme delivery components have come down. The GUARD has received funds from different institutions like, Ashoka Foundation, New Delhi, CAPART, New Delhi, Department of Forest and Wild life, Department of Women and Child Development, Department of RD and Panchayat Raj, HEKS, Switzerland, ICCO, New Delhi, KAWAD , Bangalore, NCF New Delhi. RECONTRE, France, Royal Norwegian Embassy, New Delhi, TDH, Germany and IFES- India.

PADI/VALORED : VALORED (Value oriented education was found in 1993 by late Dr. Desmond D’abreo. VALORED strove to provide ways and means of making primary education more efficacious especially in government rural primary schools. Padi Valored came into existence in 2004. The Udupi centre of PADI is involved in Sarva shiksha Abhiyan, a project of government of India and receives grants from the government. The organization has a corpus of its own. It carries out surveys in association with local and national level NGO’s, engages in project evaluation activities, publishes and sells books meant for children and derives funds for its activities The central office at Mangalore gets its funds from the government, local donations and from September 2009 it is getting funds from BFTW Germany. “Bread for the World” is an aid programme launched by the Protestant churches in Germany for development cooperation.

Table No.1 Flow of funds to Padi valored from 2005 to 2009

Year	Sources of Funds			Total(Rs.)	
	Government	Contribution Received			Self Generated
		Indian(Rs.)	Foreign(Rs.)		
2005 – 06	75,000 (Women & Child Welfare)(Rs.)	4,73,673	-NIL-	-NIL-	5,48,673
2006 – 07	-NIL-	1,42,673	-NIL-	6,005	1,48,678
2007 – 08	55,000 (SDMC Training)	2,75,325	-NIL-	7,892	3,38,217
2008 – 09	246965	210065	32,03,852	22212	3436129

The above table shows the flow of funds to the trust from 2005-2009. It can be seen that in the year 2005-2006, the NGO had received funds from the government and local donations, while in the year 2006-2007, no funds have been received from the government and also the local contributions had come down. Years 2007-2008, and 2008-2009, show a recovery again in terms of funds received. Managing trustee of the NGO Mr. Renny D’souza opines that during the year 2006-2007, the NGO had not forwarded any proposals either to the government or to the local contributors, due to which it had received reduction in the fund flow. So reduction in the fund flow can be attributed to the trust being not very active during 2006-2007 and not due to recession.

SPOORTHI RURAL DEVELOPMENT AND TRAINING SOCIETY ® located at Kedur Udupi district was registered under the societies registration act by five youngsters for the upliftment of Koraga’s especially women , youth and children by empowering them through education.

Table No.2 Flow of funds to Spoorthi Rural Training & Development Society ® from 2005 to 2009

Year	Sources of Funds			Total(Rs.)
	Government(Rs.)	Donations(Rs.)	Self Generated(Rs.)	
2005 – 06	3,28,583	16,80,668	28,611	20,37,862
2006 – 07	3,36,497	18,06,601	15,287	21,58,385
2007 – 08	1,67,870	18,15,442	57,411	20,40,723
2008 – 09	1,45,950	18,66,577	73,127	20,85,654

As we observe the flow of funds to Spoorthi under different heads like donations (including in kind), governmental sources and self generated sources, we find that funds flow has been

almost constant over a period of 4 years. However donations have been increasing over the years.

Namma Bhoomi (Our Land) is located near Kundapur town in the Udupi district. Namma Bhoomi a residential education and training programme for working children in Kundapur, Udupi was established in the year 1993 as a unit of Concerned for working children (CWC) which has been working in the field of child labour force since 1980. The 6.25-acre campus was designed to give working children a chance to continue their education and also relieve the immediate burden of survival. The campus has residential accommodation, educational and training facilities for over 100 youth (girls and boys). IAEF, The Canadian International Development Agency (CIDA), Save the Children, FORUT (For Development) are some of the foreign funding institutions of CWC.

Table No.3 Flow of Funds to CWC from 2004 to 2009

Year	External Funds				Total (Rs.)	Internal Funds		Total (Rs.)
	FORUT (Rs)	SCN (Rs.)	IAF (Rs.)	CIDA (Rs.)		Donations (Rs)	Self Generated	
2004-05	79,50,503	25,97,312	2,18,701	3,05,929	1,10,72,445	46,15,248.78	-	46,15,248.78
2005-06	76,53,062	49,00,000	2,19,880	1,06,241	1,28,79,183	85,02,409.19	800	85,03,209.19
2006-07	93,43,663	17,00,000	2,22,877	-	1,12,66,540	63,64,649.07	-	63,64,649.07
2007-08	83,60,835	43,37,500	1,74,88,400	-	3,01,86,735	57,11,936.91	-	57,11,936.91
2008-09	81,07,221	11,05,147	2,41,950	-	94,54,318	73,61,254.37	7,57,279	81,18,533.37

The above table shows the flow of foreign funds from different institutions to CWC and also the flow of internal funds from donations (including the government grants) and the self generated sources. The funds of Namma Bhoomi consists of the local donations, consultancy fees and the foreign funds received from different institutions. For the year 2004-2005, and 2005-2006, they have received foreign funds from institutions like FORCUT, CIDA, SCN and Indian American Foundation.

Table No.4: Percentage flow of Indian and Foreign funds to CWC from 2004 – 05 to 2008 – 09

Year	Indian	Foreign	Grand Total	% of Indian	% of Foreign
2004 – 05	4615248.78	11072445	15687693.78	29.41955	70.58045
2005 – 06	8503209.19	12879183	21382392.19	39.76734	60.23266
2006 – 07	6364649.07	11266540	17631189.07	36.09881	63.90119
2007 – 08	5711936.91	30186735	35898671.91	15.91128	84.08872
2008 – 09	8118533.37	9454318	17572851.37	46.19929	53.80071

The above table shows the percentage of Indian and foreign funds to CWC from 2004-05 to 2008-09. In 2006-2007 and 2007-2008, the institution claims to have received funds from FORUT, SCN and IAF while in the year 2009, they could receive foreign funds only from FORUT. Thus this NGO has seen reduction in the flow of foreign funds year after year. However it has been able to sustain itself due to the flow of self generated funds which have been generated through the expertise of the management trustees, consultancy works, and through the local contributions. The reduction in the flow of foreign funds has been attributed

to reasons like shifting of priority in the objectives of the foreign funding institutions to areas like prevention of AIDS, war prone regions, underdeveloped countries etc. and the other reason being conditional allotment of funds by the funding institutions.

Bharathiya Vikas Trust was founded by Late Sri T.A. Pai in 1978. The main mission of BVT is to bring tangible change in rural life by focusing the development in the areas like agriculture, animal husbandry, access to basic energy, education, self-employment, research and development in rural areas. The trust so far has implemented 42 government sponsored projects. Important funding institutions of BVT comprises of IREDA , World Bank, USAID, SDC , CAPART etc.

Table No. 5 - Flow of Government funds to BVT since 1991 (Rs.)

1. CAPART	45,74,581.84
2. Ministry of HRD	28,00,607.00
3. HUDCO	5,00,000
4. Ministry of Science & Technology	1,99,70,000
5. AICP for women of DST	1,22,000
6. Ministry of Welfare	2,62,500
7. Rehabilitation Council of India	1,00,000
8. Planning Commission, Govt of India	4,60,000
9. NABARD	5,85,000
10. Oriental Bank of Commerce	6,06,250
11. Ministry of Youth Affairs & Sports	6,74,719
12. NFRD	7,10,000
TOTAL Government Funds	3,13,65,657/-

Table No. 6 - Table showing the share of different government agencies in the funding of BVT till 2009.

Government Funds	Amount (Rs.)	Percentage
CAPART	45,74,581.84	14.90 %
HRD	28,00,607	9.125 %
Science & Tech.	1,99,70,000	65.06 %
Youth Affairs & Sports	6,74,719	2.19 %
NFRD	7,10,000	2 %
Others	26,35,750	6.96 %
TOTAL	3,13,65,657	100 %

From the above table it is clear that more than 65% of the government funding to this institution has been from the ministry of science and technology towards construction of women technology park for the west coast and infertility in mulch animals.

Table No. 7 - Flow of Foreign funds to BVT since 1996

Year of Start and Completion	Grant / Fund received	Funded By
1996 – 1997	3,11,360	AARRO
1998 – 2002	4,30,000	REPSO – Winrock International India
2001 – 2002	2,04,695	USAID – Winrock International India
2002 – 2006	79,49,100	USAID – Winrock International India
2004 – 2008	1,00,00,000	Swiss Agency for Development and Co-operation
2005 – 2006	16,00,000	World Bank, IREDA
2006 – 2007	9,87,500	World Bank, IREDA
2008 – 2009	7,58,000	GVEP International, UK

TOTAL	22240655
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From the above table it is clear that BVT has been receiving a continuous flow of foreign funds to its variety of projects. It is clear that the trust has received majority of the foreign funding through Swiss agency for development and co-operation and also by USAID through Winrock International India. More than 90% of the foreign funding has been to Solar renewable energy area shows that the priority of the foreign funding institutions have shifted towards this area.

Table No. 8 - Table showing the Total flow of funds (Indian and Foreign) to BVT from 2005-06 to 2008-2009.

Year	Indian			Total	Foreign	Grand Total
	Donation for Projects	General Donations	Self Generated			
2005 - 06	4945125	5814673.22	1395501.24	12155299	5651485	17806784
2006 - 07	484236.19	1086145.93	1561511.32	3131893	3287982	6419875
2007 - 08	508988.94	30525	1339616.87	1879131	2089000	3968131
2008 - 09	586461.64	32146	1444637.21	2063245	801129	2864374

The above table shows the flow of total funds to BVT for a block period of 4 years. We find that there is reduction in the flow of funds from 2005-2006 to 2008-2009. It is mainly because the year 2005-2006 consisted of a huge sum of donation from a private individual as per the will settlement, which was credited in three different installments ending with 2007-2008.

Table No. 9 - Percentage flow of Indian and Foreign funds to BVT from 2005 – 06 to 2008 – 09

Year	Indian	Foreign	Grand Total	% of Indian	% of Foreign
2005 - 06	12155299.46	5651485	17806784.46	68.26218	31.73782
2006 - 07	3131893.44	3287982	6419875.44	48.78433	51.21567
2007 - 08	1879130.81	2089000	3968130.81	47.35557	52.64443
2008 - 09	2063244.85	801129	2864373.85	72.03127	27.96873

The above table shows that the percentage of Indian funding is greater than that of foreign funding except in the year 2007-2008. However, we can say that the flow of foreign funds in the institution is also substantial. The year 2008-2009, shows reduced foreign funding of 27% as most of the foreign funds were given for a block of 4 years and most of the projects were completed in the year 2008-2009.

Table No. 10 - Table showing the Total Flow of Funds to the selected NGO's under study from 2005-2006 to 2008 – 2009

	Spoorthy (in Lakhs)		Padi-Valored (in Lakhs)		CWC (in Lakhs)		BVT (in Lakhs)	
	Govt.	Donations	Internal	Foreign	Internal	Foreign	Internal	Foreign
2005-2006	3.28	17.08	4.73	---	85.02	128.79	121.55	56.51
2006-2007	3.36	18.21	1.48	---	64.64	112.66	31.31	32.87
2007-2008	1.67	18.72	2.82	---	57.11	301.86	18.79	20.89
2008-2009	1.45	19.33	2.32	32 (BFTW)	80.6	94.54	20.63	8.01

General Observations

The study of the above NGO's with special reference to their funding pattern has led to the following general observations.

- 1) The NGO's under study were dependent more on the internal sources for their activities than on the foreign sources.
- 2) Recession has not reduced the flow of funds from the internal sources to these NGO's.
- 3) In BVT and CWC, there has been reduction in the flow of foreign funds in the year 2008-2009, while Padi-Valored has been successful in obtaining the foreign funds during the same year.
- 4) Some NGO's like BVT have been getting huge sums of money from the foreign sources mainly for propagation of solar energy as this sector is in the limelight for quite some time now.
- 5) In spite of reduction in the foreign flow of funds to some of the NGO's they have been able to survive as they had become self sustainable through the deployment of their expertise. Conducting training programmes, consultancy services of Namma Bhoomi and number of other activities has led to the efficient management of the working of the unit.
- 6) Reduction in the flow of funds cannot be attributed to recession. There are number of reasons for the reduction in the flow of foreign funds.
 - a. In some cases foreign funds were given only for specific projects and after the expiry of the projects they were withdrawn.
 - b. In some cases the foreign funds were given with the condition that the units should become self reliant within a period of time. In accordance with the condition the funds flow has come down.
 - c. Funds with strings: The NGO's dislike the funds which flow with lot of conditions regarding its deployment .CWC has reported that foreign funding agencies do lay down conditions and emphasize on the spending in a particular manner.
 - d. Reduction in the funds is due to shifting in the priorities of the funding institutions. Funding institutions are also forced to give more importance to war prone areas, or HIV Prevention etc, than education or rural development. Eg: SCN has left the country because there was a clear instruction from the head office that it should give more attention to underdeveloped, war prone regions than the developing or quite prosperous areas of India.
- 7) NGO's which have well established contacts with the foreign funding agencies or foreign sources were able to get the funds easily. In case of BVT, whose founder was Sri T.A.Pai, a former food minister and his wife Mrs.Vasanti Pai, who totally involved herself for the development of the unit, their widespread political and other influential contacts has led to lot of governmental and foreign funding flowing into the trust. In case of Padi-Valored too, the contacts with affluent Christian institutions has led to the flow of foreign funds.
- 8) Funds flow to NGO's depends on certain factors. They are:
 - a. The size of the unit: Bigger the size of the unit bigger will be the flow of funds. Eg: BVT and CWC have attracted more funds.
 - b. Extent of activities: Properly formulated, well planned activities with genuine concern attract huge funds.
 - c. Reputation of the leader: NGO's are active as long as the leader is effective. Flow of funds will be high when the leader enjoys good reputation in the society.
 - d. Reputation of the Organization: Reputation of the organization has helped BVT to attract huge sums of money.

Conclusion:

Global recession has affected the working of both for profit and nonprofit institutions in different parts of the world. A report published in “A Development Information Portal for NGOs in South Africa” carried an article titled “Economic Recession, NGOs affected” mentions that Economists have warned that nonprofit organizations that rely on corporate funding will need to brace themselves for a reduction in cash over the next two years at least. Economist, Tony Twine, points out that this is because larger companies usually donate a percentage of their after-tax profit to corporate social investment which assists in development in the country. But organizations which have been studied in this report do not share much of the conditions faced by the foreign countries with regard to funding. Funds from the internal sources have been increasing in all the institutions. Though there has been downturn in the flow of foreign funds to BVT and CWC, they do not attribute it to recession, but sight other reasons for the reduction. We also find that during the year 2008-2009, Padi-valored has been able to get funds, which points out that recession is not the only factor behind non-receipt of funds. The organizations studied here stand out of other institutions of the same category and are able to generate funds for their activities inspite of global recession. Track record of the organization is one of the factors which have played an important role in attracting donations from the public, where previous successes and organization’s longevity is highlighted. Leader of the organizations in these institutions and also the quality of the staff employed have been successful in attracting the funds. These trusts of Udupi district have impressive well experienced key personnel holding positions of power. The NGO’s of Udupi district which have been studied have good governance systems which have enabled it to secure funds inspite of financial crisis all over the globe. A granting agency looks carefully at how a nonprofit organization governs itself. It will want to make sure that its support is not used inappropriately or will result in unfavorable publicity. Further it is the concept of charity which is behind all kind of donations, which is still very strong among all the donors, which has led to continuous flow of money into developmental causes. To conclude, we can say that recession has not hampered the flow of domestic funds to NGO’s. Even the reduction in the foreign funds cannot be attributed to recession alone as many factors determine the flow of funds. However, we can note that NGO’s with maximum transparency, honesty, dedication to the service motive of nonprofits, will work towards successful accomplishment of their final goals effectively and efficiently.

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