Sustainability of NGOs and Globalisation

N. Ravichandran

Sustainability of NGOs and Globalisation

N. RAVICHANDRAN

sanei

RAWAT PUBLICATIONS

Jaipur • New Delhi • Bangalore • Mumbai • Hyderabad • Guwahati

CONTENT

Acknowledgement

The thought process of the study “Sustainability of Non-Profit Organization Forms in the Era of Globalization” began in early 1996 when I was a Population Council Fellow. At the time, I was pursuing my research at Tata Institute of Social Sciences, Bombay. However, the execution of thinking actualized when I was working for World Bank Institute in the Evaluation Unit in 2000. Though the evolution of thinking process was given a shape when I was working with Indian non-profit organizations, this experiences helped articulate the theoretical issues and develop the research design. I am grateful to Indian Institute of Health Management Research, Jaipur for making the experience possible, to Dr. S.D. Gupta, Director for initiating and facilitating my visits to various institutions through various projects in the last two years a very productive and rewarding one.

The implementation and expansion of the knowledge horizons at personal level would not have been possible without the financial support of South Asian Networking for Economic Research Institutes, for which I am extremely grateful: The financial support provided me with release time from teaching, funded the production and distribution of two working papers: Regulatory Challenges and Non-profit Mechanism (2004) and Sustainability of Non-Profit Organizations (2004). The findings of these papers have been well accepted by the Government of India and it processed the thinking of conditioning the tax-exemption status to non-profit organizations in India (The Hindustan Times, November 29, 2004; The Economic Times, January 16, 2005). The banking of the findings took place at Indian Habitat Centre, which was organized by Indian Council for International Economic Relations and, an International Workshop on ‘Researching NGOs’ which was jointly organized by Indian Institute of Health Management Research and London School of Economics. I acknowledge the participation of delegates and experts particularly Dr. Arvind Viramani, Director, ICRIER, Prof. T.N. Srinivasan, Chairman, SANEI, Dr. A.R.Kemal, , Secretary, SANEI, Dr.P.N. Bhattacharrya and Prof. Siddiqur R Osmani who gave extensive and very helpful feedback on an earlier draft of this report.

In addition, Prof. Ajit Jain and Prof. Barun Kanjilal provided valuable technical expertise that facilitated my research work. I also acknowledge the technical support provided by Prof. Vasanthi, Indian Institute of Management, Bangalore, and Prof. Sri Ram, Indian Institute of Management, Ahemadabad in the production of this report. Other scholars, Prof. A.L.Shah and Prof. G.R.Rao read some or all of the manuscript or preliminary reports provided insightful and challenging comments to improve the report. I am thankful to them for their efforts and patience and have attempted to be responsive to their suggestions.

Ms. Sathya Priya whom I met at Indian Institute of Health Management Research participated actively in the data collection efforts in seven organizations. I also thank her for immense inputs in the form of data analysis, feedback and proof reading. I also thank Ms. Swati Roy and Mrs. Sheela for their painstaking work in designing the report in the presentable form and for the computing assistance.

Dr. Amitab Baneriji, Bohrugram Charitable Trust volunteered to be my pretest for the case-studies and made the key suggestion that we examine the entire funding structure of pattern of both nonprofit organizations and donors perspectives as they are mutually profit oriented. He was right.

One person, in particular, has helped me beyond the limits of what one could reasonably expect from a colleague, friend and spouse. Rajashrese provided badly needed encouragement at critical points, when things looked overwhelming and difficult. She took over many of the household responsibilities at those times and still has more than her share. She only occasionally grumbled about a spouse who took on too many responsibilities and could not detach himself from his work. Throughout, the questions that she asked turned out to be among the most helpful I encountered. She responded to my ramblings with greater patience and insight than I can offer in return.

Finally, I express my deepest gratitude to the Executive Directors, staff, and board members of all the participating organizations. They not only agreed to talk to me and Sathya Priya about a wide range of issues at considerable length but also in almost all cases allowed us to go through cash journals, audit reports, board minutes, and boxes of other documents that most organizations consider confidential. In spite of the demands we made, they responded with cheerful cooperation.

Their cooperation and willingness to participate in the project provided a unique opportunity to combine systematic review of some emerging theoretical issues with practical insights. As always, the encounter with reality proved to challenge many preconceptions. I have learned a great deal from coming to grips with them. I am impressed by the challenges the Heads of the Organizations face and by their efforts to meet them. However, a close reading of this report will reveal that my Indian 'swadeshi' roots are depicted. I am intrigued by non-profit organizations and the critical conditions they make to Indian society, but I am not convinced that they necessarily present the preferred mechanism by which they can maintain the social development partnership and sustain the benefits. As this book shows, there is a need for thorough research in assessing the policy initiatives in transforming the energies into benefits in the long run.

February 25, 2005

N. Ravichandran

Chapter One

Perspectives on Non-Profit Mission and Financing

In the era of globalisation, successful implementation of development programmes requires an appropriate policy framework, formulation of suitable plan schemes, and effective delivery machinery. In this broad arena of the developmental process, the work and skills of Non-Profit Organizations (NPOs) have received pointed attention during the last two decades. Indeed, development is a process of mutual endeavour that calls for the involvement of people in all the segments of society (Ravichandran, 2002). But, due to the limited capability of the missionaries, it is becoming increasingly difficult to respond effectively to the growing and diversified needs of a vast majority of the population. This has necessitated the emergence of institution, which can function as a catalyst between government and the society, while still remaining independent of direct government intervention. Conversely, past experiences of NPOs suggest that availability of funds, by itself, is no panacea for the problems of poverty, backwardness and low human development anywhere in the world. Nevertheless, the entire spectrum of the debate on 'sustainability' or 'sustainable development' can be traced back to the work as well as the experiences of those associated with NPOs on the one hand, this growing visibility has been possible because of the claims made, and the public postures taken by the NPOs, as well as the consortiums and networks of NPOs themselves. On the other hand, it has provoked a series of questions related to the behaviour of NPOs and their dynamics - a phenomenon largely missing during the last two decades. That is, the most profound question is concerned with the very contribution of NPOs - the level and degree of implementation and, identified alternative development and their level of sustainability. Thus, no aspect of the development discourse can be carried forward today without paying attention to the work and the voice of NPOs.

Political Economy of Altruisms

Voluntary initiatives have a long and glorious chequered through history in the region – India. Movements for liberalization, social reforms and development *per se* have thrived in this country and continue to do so. At the same time, India has also a long tradition of voluntarism, and charity that may exist anywhere else. In India, the past three decades have seen a tripling of the number of NPOs from one million in 1970 to 2.6 million in 2004. Such rapid growth is bound to draw attention and indeed it has. Why are the NPOs growing in such numbers in India? Special privileges for the NPOs sector are justified largely on the ground that they perform the kinds of public functions typically identified with government helping the disadvantaged, providing social services and health services, establishment of schools, etc. When the government is able to provide these services in forms and amounts that the voters want, little role exists for NPOs. However, when the population is very diverse, services that satisfy the majority may leave many others severely unsatisfied / under-satisfied; then the non-profit organizations are understandably an alternative mechanism for providing public services. The more homogeneous a society, the more similar are its citizen's preferences and the smaller the need for NPOs (Weisbrod, 1975). This perspective, on the relationship between NPOs and government implies that the growth of NPOs' and their behaviour reflects an increase in the gap between perceived, social needs and their provision.

Nonetheless, in recent years, massive changes have been occurring in the NPOs sector in India. Seemingly isolated events, touching the lives of virtually everyone are, part of a pattern that is little recognized but has an enormous impact; it is a pattern of growing commercialisation: non-profit hospitals, educational institutions, etc. Nevertheless, sustainability is the major challenge in this process. Commercialisation in the NPO sector sounds like a paradox. NPOs are supposed to be different from private firms, for whom commercialisation is their very life-blood. To some people, though, the uniqueness of NPOs is by no means self-evident; perhaps, they are really not different from private firms, but are no less influenced by business motives and opportunities for self-aggrandizement. NPOs have been both criticized and acclaimed for their functions as well as their behaviours. The rationale for their special treatment regarding taxes and subsides rests on the belief that they provide services that are materially different from, and preferred to, those which private enterprises provide.

As NPOs adjust themselves to the change in revenue sources and organizational performance, not enough is known for certain about the direction of causation – whether changes in contribution of time and money are the cause of the result, or the changes in NPOs' activities. The real questions that arise are: What has been their contemporary character? What range of roles and initiatives do they encompass? How does funding affect their performance? How efficient are they *vis a vis* working capital management and funds management? What kind of costing methods do they use for financial management? What are the sustainability measures assumed and the indispensable dimension in the projectization process? How will these NPOs sustain themselves? And, finally, what is the potential for their future contribution? The present study examines the issues that are related to the financing of non-profit organizations about which we need to know more.

Conceptualising the Term - NPOs

The long history of voluntarism has given us a plethora of terms to represent such entities: voluntary organization, voluntary agency, philanthropic organization, people's organization, community-based organization, non-government organization, non-profit organization, etc. There have been efforts to define these terms. These have at least facilitated categorization of the entire sector under two sub-divisions; one is popularly called 'Intermediary organization' and the other 'Grassroots organization'. There are several theories which have attempted to explain the origin and growth of the voluntary sector. The heterogeneity theory explains the origin and growth of non-governmental organizations as a response to 'government failure' and/or 'market failure' to meet the demands and needs of the people. This creates an environment to empower the disadvantaged sections of the population with alternative services. But, the supply side theory claims that it is promotion of voluntary action by social entrepreneurs to fill the gap of inadequate services by the public sector. The welfare state model states that one would have smaller sized NPOs in a country where per capita income is high. The inter-dependence theory does not look at the state and the market as being opposed to voluntary action. It affirms interdependence between the government and the non-government sectors and, at best, among the three including the market. This leads to the voluntary sector growing in numbers and having a significantly higher capacity to spend than the public sector. The, social origin theory conceptualises induction of the democracy philosophy in the organization of NPOs. In a way, the modified theory identifies this as a liberal state with a corporate supported welfare approach.

Studies of the politics of the NPOs sector have focused on the reasons for NGOs performing public functions that normally fall within the purview of the government. The consumer control theory explains the existence of a category of NGOs in terms of the superiority of direct consumer or patron control when the market and the government are unable to ensure the desired performance (Ben-Ner, 1986). It is argued that consumer control may help eliminate information asymmetry and the adverse consequences of monopoly for members. The reasons that NGOs have survived in some sectors and not in others, the ways in which their behaviour differs from that of profit-oriented entities, and comparison of their efficiency with that of other institutional forms have also been explored in the literature (Paul and Israel, 1991) In the case of NPOs, it is incentive-based and opportunities are created to fulfil the needs of the public domain. Moreover, NPOs believe strongly in a value-based system and quality rather quantity. NPOs often focus their attention on organization building and consciousness-raising among the poor so as to empower them to struggle for their rights and acquire the resources for development.

As we have seen above, a voluntary, non-governmental or non-profit organization is what the law of the land says it is. India does not recognize the term 'non-government' in any sense or context. Where is the confusion? The Indian National Accounts System primarily recognizes two sectors: public and private; and within the latter, business enterprises and households. It does not have any category or sub-category for NPOs within the private sector. Being 'not-for profit' may mean that the NPOs are located in the household sector. Absence of the term as a category Indian National Accounts System prevents our using the definition. Does this hold true or can NPOs be recognized based on this? In India, the governments also have established a large number of NGOs committed primarily to research and education and registered them under the Societies Registration Act. The Act does not bar the government from doing so. This causes further confusion in the definition. It becomes difficult to understand the presence of state-established NGOs beside private NGOs. We do not find similar 'duality' of private and government enterprises within any Acts, excepting the Societies Registration Act. To conclude, the term 'NGO' is not indigenous and so, it requires tremendous effort to make needed compromises in adopting it in the Indian context. Moreover, the presence of government-established NGOs has blurred the term to such an extent that it has become difficult to identify elements of 'private' and 'voluntary' in such actions. This is in contrast to the definition of 'NGO' by the United Nations (1968).

O'Neill (1989) defined NPOs as private organizations serving a public purpose. A more recent account defines global NPOs as comprising organizations whose functions are serving the underserved and engaging in social change (McCarthy, Hodkinson and Sumariwalla, 1992, quoted in Salamon and Anheire, 1992). Asian NGOs Coalition Meeting, which was held in1988, defined voluntary organizations as "organizations that use temporary interventions to promote the creation of sustainable locally accountable institutions that improve the quality of life". According to Sen (1993), the status of NPOs is described purely on the basis of their structure and operation and not their purpose or their source of income. However, as we have seen above, the term 'NGO' is negative and non-explanatory, because it includes private sector organizations, development corporations, etc. According to UN (1968), "NGOs are any of those organizations which are not part of a government and which have not been established as a result of an agreement between governments". During my interaction with experts and practitioners belonging to the 'the third sectors' (IIHMR, 2004), I realized that most of them are 'ideologically' against the term "NGO" and "NPO" as well. To them, both the terms are negative and deny the political space for which they have been struggling for years. They also added that voluntary action looks beyond its obligations of giving people better services and also works beyond the basic agenda determined by their sources of income. Hence, looking at these issues, the present study defines 'NPO' as an organization, which may accumulate profits in a given period, but recycles the profits to further the basic mission of the organization (not the interests of the owners, or members of the organization). That means that organizations registered under any Act fulfil the criteria of non-profit distributing.

Social Background of Indian NPOs

In order to understand work of NPOs, the present study has made an attempt to evolve the concept of NPOs through their history. Though the roots of voluntarism as a concept may be traced to the functioning of social institutions in ancient times and even outside social institutions in the medieval period, for the purposes of this study, the researcher proposes to confine himself to the history from the 19^{th} Century onwards. It is important to do so because that part of the history has more tangible linkages with voluntarism, as it is understood today. The history of social organization seems to have been influenced largely by '*laissez-faire'* movements on the basis of the promulgation of the theory concerning minimization of state intervention, on the one hand, and dissemination of the concern of 'volunteerism' on a more planned and organized way on the other (David and David, 1989).

Evolution of the Non-Profit Mission

The notion of voluntarism or voluntary action is embedded in the culture, traditions and heritage of the country. The *Rig-Veda* written around 1500 BC, has devoted one full chapter to 'Charity', signifying its importance during the contemporary period (Singh, 1999). Some scholars believe that an organized and institutionalised form of voluntarism is a relatively new phenomenon which, at best, can be dated back to the early decades of the 19^{th} century with the advent of Christian missionaries in the country (Tondon, 1996; Kramer, 1981; Sen, 1993; Salamon and Anheier, 1996; Seth and Sethi, 1991). During the 19^{th} century, the evolutionary trends of an institutionalised form of NPOs became more visible in terms of the changing direction of the flow of aid and its dimension, as well as their size and numbers as well. This explosion brought in its wake conflicting ideologies and perplexing differences of activities among NPOs on the one hand; there was also a common interest in strengthening the socio-cultural features and notions of self-reliance in the society on the other (Berg, 1987). In other words, the dynamics and behaviour of NPOs often differ considerably from each other due to the prevailing state of affairs, dimensions, and goals. The dynamics and behaviour confront anyone attempting to study these groups to establish a workable definition. This is not simply a matter of academic niceties; it affects not only the territory considered relevant but also, by extension, the conclusions arising from its investigation.

Going back in history, if we look at the evolution of the social reform movement, we see it as the culmination of a process of assimilation, stirred by the arrival of West-Asian socio-political and religious thought about five centuries ago. This process in the preceding years had led to the evolution of monotheistic movements since the 15th century and development of heterodox groups and sects since the 18th century. The invasion of Christianity and its missionaries, faith and ideas in a way precipitated the widespread emergence of several social reform movements. The influence of the ideals of liberty, equality and fraternity on progressive and young sections of the aristocracy was quite evident due to their interactions with and exposure to such ideas (Desai, 1966; Rajni Kothari, 1988).

Having felt the vibrations of Christianity, Hindu leaders such as Raja Rammohan Roy formed the *Atmiya Sabha* in 1815, which later allied with Christian Unitarians and started the Unitarian Committee in 1821. This coalition failed due to the concern for the eroding Hindu base, and this gave birth to the *Brahmin Sabha* in 1828. Swami Sahjanand's *Swaminarayana* Sect (1800) and *Manohar Dharm Sabha* (1844) in Gujarat; *Paramhans Sabha*, *Prarthana Sabha, Kalyanonnayak Samaj* and *Hindu Dharm Sabha* in Maharashtra followed the *Brahmin Sabha.* Though the primary objective of the operation of the *Sabhas* was the spread of their Hindu faith, to achieve this objective, they approached the people through services in the fields of education, health and other aspects of social life. At the same time, the sprit of devoting one's life to doing something for the rights of the deprived and the marginalized, evoked by these reform movements inspired a lot of people. There is a plethora of evidence for similar trends in different regions of British India.

The combined impact of the 'First War of Independence' (1857) and its implications brought the intelligentsia to the forefront of socio-political awakening. This was also the time of consolidation of British colonial rule over the political and economic life of Indian society by means of systematic plundering of resources, creation of communication links, induction of modern techniques and introduction of English culture. The *Sabhas*, on the other hand, also consolidated themselves in institutionalised movements – *Brahmo Samaj* (1878), *Arya Samaj* (1875), *Satyashodhak Samaj* (1873); *Indian National Social Conference* (1887), *Ramakrishna Mission* (1898), Bombay Presidency Social Reforms (1897), etc. The spread of such associations contributed to the development of voluntary action in the areas of access of the untouchables to education, work of one's choice, worship and other aspects of social life. The outreach of these movements transcended the linguistic and administrative boundaries of their origin. At the same time, purely political organizations such as the *Pune Sarvajanik Sabha* in Maharashtra and British Indian Association in Calcutta with a limited programme also started emerging during the second half of the 19th century. This may have prompted the enactment of the Societies Registration Act of 1860 and the subsequent introduction of a series of reform measures since 1861.

In 1885, the Indian National Congress came up as an official platform for the expression of the growing national consciousness and influenced the future course of voluntary action. The influence of the Indian National Congress made "self-respect" and "self-confidence" the core values of the movement, which swept the country during the first decade of the 20th century. Consequently, the colonial administration came up with several reforms (Minto-Morley Reforms) and enacted the Indian Council Act, 1909 which inducted an elected majority in the provincial legislature and introduced an elected minority into the Viceroy's Legislative Council. However, the First World War marred the maturing nationalism and witnessed the growth of the revolutionary movement as differences became more perceptible. However, World War-II saw the growth of sectoral organizations of different ideological shades ensuing from the general crisis in the world economic order (1929-35). They were successful in channelling the voluntary spirit for political and mass mobilization for the struggle for independence. Indian business and industrial interests, which had gained substantial ground by then also shifted gears towards the *'Swadeshi'* movement and supported it, openly strengthening the hands of those who were fighting for *'Swaraj'*.

The socialist ideas of 'constructive work' activities took root during 1922-28, when Gandhi had withdrawn from active politics. This later on became part of the mass national movement and contributed to efforts for encouraging *'khadi'* and village industries during the pre-independence era. After independence, India's mission for those who share this perspective was village reconstruction – re-establishing traditional handicrafts industries that had succumbed to cheaper machine-made goods from abroad and rooting out social evils, particularly untouchability, illiteracy and debilitating habits such as drunkenness and drug-addiction (Frankel, 1978).

Shaping the Altruism

After independence, i.e., during the first 20 years, many in the stream of voluntary action based on social reform and the stream of constructive work joined together in the governments' efforts for nation building. This task focused on extension work in the fields of agriculture and health and on community development. It led to the governmentalization of *khadi* and village industries. It also resulted in co-optation and formalization of the work initiated in the areas of education and health as well as areas of economic activities through a government-sponsored cooperative movement based on the Cooperative Societies Act, 1904. However, the underlying perspective of social work - to provide support to the needy, to raise one's voice against untouchability and to defend the rights of the deprived and the marginalized segments of society. This was done through a welfarist approach. Another expression of social reform that was based on the socialist approach continued in programmes in the fields of relief, rehabilitation, welfare and charity. In 1953, the Central Social Welfare Board was constituted to promote voluntary agencies and give them grants-in-aid for the implementation of the government programmes. During this period, social reform movements expanded with a new institutional approach in getting established under the overall perspective developed by the work of missionaries before independence.

The development experiences of the 1960s and 1970s raised questions concerning a growing awareness of the limits of the existing development models in the face of the dilemma of the widening gap between the rich and the poor (Pratt and Boyden, 1985). India was caught up in a dual crisis of economic stagnation and political instability. This gave momentum to the search for more adequate and appropriate strategies for improving the living conditions of the marginalized and the deprived sections of the population. It was at this stage that alternative and integrated rural development began to be experimented with, through the initiatives taken by a new generation in 1968-69. The response to droughts and floods created the motivation for voluntary action. Part of the motivation came from the changed political circumstances with the defeat of the Congress in 1967 i.e., the split in the Congress party triggered by the development of a progressive alliance with a more socialist, populist and humane face emerging. During 1967-69, students' movements gained momentum and the 'naxalite' movement surfaced in 1969-70. The decline of these alternative movements prepared the ground for the development of NPOs. During this time, a number of NPOs paid pointed attention to the definition of growth and development and projection of a people-centred development vision that embraced the transformation agenda. Young people who were professionally trained began to enter voluntary development organizations setting up new initiatives, though their numbers were very much restricted and localized in areas close to cities.

In the course of developing analytical and systematic alternative developmental strategies, it was felt in the 1970s that in modernization concepts and large-scale developmental programmes, a trickle-down effect was hoped for, but rarely achieved (Grant, 1973). Top-down planning strategies needed to be superseded by more poverty-oriented, participatory developmental concepts through a bottom-up approach. Experience taught organizations to look at justice, sustainability and indusiveness as the defining principles of authentic development. Development needed to be viewed as a people's movement rather than as mere foreign funded projects.

On the outburst of the J.P Movement, emergency was declared in 1975. The J.P. movement had forced a number of people to reflect upon their experiences and look critically at the trends emerging in the country's political processes. The rise and fall of the Janata Party government during 1977-79 was a disillusioning experience for many. The glitter of a socialist, populist and human face had become a thing of the past too soon. In 1976, the Foreign Contributions Regulation Act was enacted to control and maintain surveillance on the flow of foreign funds to NGOs, which were arbitrarily labelled as ‘anti-nation’ (Tandon, 1997; Salmon and Anheier (a), 1996). The process of politicisation of the post-emergency situation had left many restlessly looking for constructive alternatives to chanelize the energies and concerns of people in order to realize their dreams for a more humane and just society. The fallout from the political process contributed to growth in voluntary action, in terms of both quality and quantity. The concept of conscientization and people’s participation began to emerge after the emergency period. This was the period when more focused work with target groups of landless labourers, tribals, small farmers, women etc., also became the basis for the programme of work of non-profit missions. This transformation increased the confidence of the masses in themselves and the institutional complexes to solve their problems, with an increasing awareness of the direction of change.

During the 1980s and the 1990s, the relationship between government and the institutions become more tangible in terms of mutual respect, trust, equality and understanding among the NPOs themselves, openness to learning from each other, and a long-term commitment towards betterment of the society as a whole. For instance, NPOs in India have come to be supported by the government and they also work closely. The work of voluntary organizations has been acknowledged through exemption from the provisions of the Income Tax Act, 1961 (PRIA, 1990). In contrast, NPOs in Latin America have been working as an opposition to the government. All along the way, Christian missionary-based voluntary action in India outgrew the boundaries of church compounds and began to emerge as an extension for conscientization and organization of the marginalized people in parts of the county. The work of NPOs began to get organized and the recognition and visibility of NPOs also increased during this period. In other words, a more professional approach to development characterized the work of NPOs. This attracted the Finance Act of 1983, which removed the income-tax exemptions previously granted to the NGOs on account of rural development projects on income-generating activities, and they faced rough weather. At the same time, in 1986 formation of the National Council and State Councils for rural voluntary agencies was proposed and this introduced an elaborate code of ethics for voluntary agencies to have control on voluntary agencies. Further, there was the emergence of independent research activities, which constantly monitored the government's policies and programmes and developed independent critiques of the same. Autonomous support to strengthen grassroots initiatives in the country also acquired a certain degree of credibility and legitimacy during the previous decade.

Another stream of voluntary organizations in India are those set-up by established business and industrial houses. Historically, they have played a role in charity, – helping the needy. In the beginning, education and health were the two sectors of focus for such efforts, but subsequently, they covered other aspects of development. In recent years, these business and industrial houses, 'Profit – turned Non-profit Missions (PTNPOs)' (under Section 25 of the Companies Act, 1956) have been criticized as instruments to siphon off funds by the rich from their existing business incomes to save tax. However, active participation by NPOs and PTNPOs in developmental activities is one of the most encouraging phenomena in the recent past. The entry of NPOs and PTNPOs in the developmental process represents an important response to the needs resulting from over-burdened governments. Not only have they been successful in filling up a critical institutional vacuum, but they have also demonstrated their overall effectiveness in working for the marginalized and the deprived sections of the population. At the end of the 20th century and at the beginning of the 21st century, the NPOs and the PTNPOs developed a durable partnership with both the government and the local people. And, probably most important of all, they have through their catalytic role provided a ray of hope to people who would never have dreamt of gaining access to basic opportunities and services.

Thus, the evolution of NPOs in India has been rooted in a specific socio-political context. They have been inspired by the emergence of continuous social reforms, social change and political movements. In other words, social conscience, a felt need for reconstruction of the society and an unwavering commitment to human values, are reflected in the evolution of NPOs. Nevertheless, the constructive work and political struggle for gaining independence were the basis of such development. Moreover, the concept of social work, which started off as 'service to mankind' with its focus on charity, has now veered towards developmental work and community mobilization.

Public Private Partnership: Continuing the Grip

In India, a socialistic country, with a democratic approach, NPOs are indispensable and they perform a number of functions for the development of the nation and the people. NPOs engaged in social work can greatly enlarge the scope of the national plan by developing their own activities, as identified in the First Five Year Plan (1951-54), "…attracting an increasing number of enlightened men and women with a desire for constructive work and dealing with social problems for which the State cannot provide in sufficient measure". This is motivated by endorsed voluntarism with various "concrete tasks", in which small groups everywhere can find scope for co-operative activity and exercise of initiative and every individual can have something to which they can devote their spare time and energy. However, this Plan envisaged that "…these acts of disciplined service on the part of individuals and groups will foster the growth of leadership at all levels and will strengthen the community" (p-150). The First Five Year Plan, however, cautioned itself stating that "such devolution of functions can only take place progressively and on a selective basis" But it is necessary to emphasise that without such devolution occurring, "the responsibilities of the administration tend to increase to an extent with which it may be difficult to cope". This is because of the aim of social service during this period being on only curative efforts such as rehabilitation and removing anti-social elements in society. This plan made a provision of Rs. 4 crores as grants-in-aid and technical assistance to NPOs. During the initial days of nation building, NPOs, rather than official aid-agencies, were the main development partners of the government. Once content to be apolitical providers in a welfare role, NPOs are increasingly claiming an identity as challengers of oppression and injustice.

Candidly, the Second Five Year Plan recognized that the growth of social services is necessarily a slow process. This is mainly due to non-availability of resources on the one hand, and lack of trained personnel, organizations devoted to social welfare and reliable data pertaining to social problems, on the other. Nevertheless, this Plan admitted that, "in the larger interest of the community, these voluntary agencies have to be encouraged and assisted in extending the scope of their activities"(P-314). This is the assumption on which the larger programmes for NPOs proposed in the Second Plan had been formulated. However, the experience of the First Plan showed that the resources provided by the Central and State Governments in money and personnel could go a long way in stimulating community effort and invoking such devoted NPOs' services on a voluntary basis. This was reflected in their numbers: 6000 NPOs, assisted with an approved outlay of Rs. 31 crores during the Third Five Year Plan. In the Third Plan, special efforts were made to mobilize active public cooperation in various programmes through NPOs. There was a shift in the approach i.e., focused emphasis was shifted from purely social welfare to socio-economic activities. The shift of location from the refugee camps, feeding centres and hospitals to the villages where they set about establishing projects opened the NPOs' eyes to the full reality of poverty. It was emphasized that NPOs should grow in strength and dimension so as to become capable of executing the tasks. This assumption was made very cautiously. With so much poverty and ignorance in the country, there was no limit to the scope of NPOs' services in mitigating the hardships of the under-privileged and in creating a better environment for them. The brunt of the challenge lay with the NPOs. Attacking deprivation necessitated helping the poor increase their capacity to meet their needs with the resources they control. As the scope of social welfare was widened so as to include and promote additional activities, the Fourth Plan aimed at consolidation of the initiatives taken in the previous Plans. In other words, the object was to replace haphazard individual charity and relief by organized and sustained activities. In the Fourth Plan, the NPOs were closely associated with local governments in drawing Rs. 41 crores. It came to be increasingly recognized that development is a process of liberating the poor, both from their physical oppressors and their own resignation to poverty. New approaches were called for.

In continuation with their grip on the nation building exercise, NPOs witnessed their own growth and development. The fact that this was mainly because of the limitations of the strategy became evident by the end of the 1970s and early 1980s when it became evident that the policies reduced efficiency and competitiveness rendering the growth much less than targeted. While government was over-active in industry, it was under-active in many other areas, especially those relating to social development. This was reflected in the very slow pace of improvement in critical social indicators. Some efforts were made to reform the system in the second half of the 1980s by addressing the shortcomings in the development strategy. However, it was not until 1991 that a wide-ranging programme of economic reforms aimed at de-controlling and de-bureaucratising the economy was initiated. These reforms have been pursued by successive governments since 1991 and enjoy a broad base of support. However, governments continued to see NPOs as part of service provision rather than as mainstream providers, though with economic restructuring. NPOs started assuming a new role - that of providing services to popular grassroots organizations and self-help movements. This work was characterized by its small scale, local leadership, and support for the economic and political independence of the poor. But, gradually, many of them came to criticize the negative effects of the traditional development model and to seriously question their contribution to it (Chambers, 1983). During the previous three decades, NPOs had thus grown in both volume and range. The outlays also had increased considerably from a mere Rs. 4 crores in the First Plan to Rs.83 crores in the Fifth Plan. This is because of their expanded developmental activities and a better awareness of the developmental concept of social welfare, its linkages with the other sectors of development and its role in raising the living standards of the most vulnerable groups. At the same time, NPOs often managed to engage with local populations and command their trust in ways which governments find impossible. NPOs have frequently demonstrated their ability to help those most in need who have been missed out by official programmes. The enhanced role of NPOs came about at a time when the thinking of the more established actors – the official development agencies in considerable disarray.

During the Fifth and Sixth Plan periods, social legislations had been reviewed and amended to make NPOs more effective, and research had thrown light on the nature and dimensions of different problems and the deficiencies in implementation. In spite of all this, certain deficiencies in program planning and implementation needed to be remedied in order that the effectiveness of the social programmes could be enhanced. There had been a tendency to depend on schematic patterns in the implementation of schemes by NPOs, leaving little room for flexibility or the ability to respond to the requirements of and variations in local situations. The involvement of the local communities in planning and programming had been inadequate and their participation had been more in the nature of key partners. There had been lack of integration of service provision and its beneficiaries. Absence of professionally trained manpower at both decision-making and supervisory levels had affected the quality of services. The grant-in-aid programmes, meanwhile, had tailed to promote and develop NPOs in remote and backward areas.

The linkages of social welfare programmes with economic programmes had not materialized except in a very limited way. Many economic projects had been launched, particularly in rural areas, without proper consideration of their social impact. There was a lack of coordination between the local governments and the NPOs. Monitoring of programme performance continued to be in terms of financial achievements rather than physical parameters related to the objectives of the plan/schemes. This is where the NPOs had lost the track and failed to show the path to social change. Instead NPOs began deriving benefits from public sector schemes by asserting that the public sector projects were not doing well and declaring that they (NPOs) themselves were the developmental authorities. And, most importantly, NPOs pioneered new approaches and challenged the prevailing development orthodoxy.

In the Seventh Plan, involvement of other agencies such as Cooperatives and Panchayati Raj bodies in the non-government sector tended to blur the identity of those, which could be strictly defined as ‘NPOs’. This is mainly because of the change in the conventional approach ‘welfarism’ to ‘self-reliance’. NPOs were asked to pay greater attention to mobilizing locally viable human and financial resources. Subsequently, NPOs were asked to plan their own schemes instead of expecting the government to do so. That meant, sustaining the project activities beyond the Plan period by involving the communities and making themselves as self-reliant as possible. This 'self-reliant' approach implicitly made NPOs shift from their service provision mode to facilitation. In other words, they would have to mobilize and organize the community and generate awareness to demand quality services from the public system and impose a system of being accountable to the community regarding the performance of the local government functionaries. That is, instead of implementing the projects, NPOs were advised to change the people's mind-set by involving them in the programmes and contributing towards programme self-sufficiency as well as productivity. This approach and thinking which once dominated practitioners in the developed countries way back during the 1960s, were part of an indigenous process led by the people themselves (Brodhead and Brent, 1988). The same cycle occurred after 30 years in developing countries, like India. Unfortunately the development and the delivery system as they exist in India today are designed to make the communities more dependent than independent.

However, during the Eighth Plan, in the guise of privatisation and liberalization, a new sinister category of 'profit-making NPOs' with a corporate culture was being introduced/inducted. With the rapid development of private economy in various forms, private entrepreneurs have begun to support some of the NPOs or have established their own 'social wing' to supplement the social welfare provisions of the government. This shows that there is a need for multi-sectoral involvement in the developmental sector as well as thorough overhauling of the voluntary sector. The Eighth Plan promoted and accelerated the NPOs sector, though the structural adjustment has been wholely criticized by NPOs. The conventional development approach has largely failed the poor, partly because the projects supported tend to serve the interests of a minority, but chiefly because they fail to address the political causes of maldevelopment. However, the emergence of NPOs, is often attributed to the growth of the middle class brought about by economic growth, which has been growing since the 1990s. This indicates that the tendency toward decentralization of governance has made it more difficult for the concerned government agencies to meet the increasingly diversified social and cultural demands and thus thrown up the need for more 'popular participation and public funding'. Unfortunately structural adjustment, on the other hand, has focused only on particular categories of reforms such as removing the impediments to wealth generation posed by governmental inefficiency and liberalizing the markets. During this period, the Eighth Plan nevertheless identified the weaknesses of NPOs and supported them to improve technically so as to overcome their problems. The government streamlined and decentralized the funding procedures without sacrificing the principles of accountability. At the same time, the NPOs were involved directly in the designing of programmes as well as their implementation.

All this was because of the growth in the number of NPOs and partly due to the increase in government funding, as well as the changing, and increasingly positive perceptions of the public at large which led to significantly increased public contributions to the NPO movement. The reports submitted by the researchers under the "Non governmental underpinnings of the emerging Asia-pacific community" project underscore the significant growth of NPOs in the Asia-pacific zone in recent years, but the general picture provided by these reports falls short of the rather euphoric tone of Salamons' article (Snehalata, 2001). This impression comes from the analysis given in the country reports of this survey project particularly covering those developing Asian countries where the evolution of the NPOs is a relatively new phenomenon and where there have been considerable constraints against the activities of NGOs during and after the globalisation process. On the other hand, the growth of NPOs has occurred as a result of the failure of official grants-in-aid programmes to reach down and assist the marginalized sections and partly because of increased pressure by donors in development programmes. Moreover, during the globalisation process, i.e, the 1990s, NPOs and Profit – making NPOs were given more importance, as the World Bank and bilateral agencies continued to expand their funding of NPO projects, as locally based NPOs expanded their activities, and NPOs were increasingly brought into the mainstream of the development debate. Both official donors and NPOs are now working directly in efforts to strengthen civil society (Snehlata, 2001). This kind of direct support is due more to an opportunistic approach to strengthen the relationship between local government and the NPOs. This has been characterized more by cooperation than conflict, as government has turned extensively to the NPOs to assist it in meeting human needs with community perspectives. At the same time, the indigenous development of NPOs and their growth as well as making them more viable economically cannot be guaranteed unless concerted efforts are made. It was also assumed that the cooperation with and collaboration between like-minded individuals and the community would be more effective in promoting the indigenous NPOs to overcome many socio-cultural and political impediments. Many NGOs and philanthropic organizations in the country have been transforming themselves by changing from the traditional approach that provided charitable contributions and services to the poor, to that of directly involving themselves in the development process and addressing issues/needs with local perspectives. Such trends are clearly observed in several illustrative cases in the present study. One conspicuous phenomenon common to most of the study organizations in the Indian sub-continent in the last two decades has been remarkable economic growth. This in itself does not explain the growth of philanthropic activities, particularly in the corporate sector.

Paradoxically, the rise of NPOs in the Indian sub-continent is related to the negative consequences of rapid economic development. It is unlike the experience of Japan's philanthropic activities, which have been growing since the 1970s, reflecting the economic growth. Though the tax incentives are provided for contributions, fund raising for NPOs very difficult. Due to these complexities, many institutions and trusts have often chosen not to be incorporated as NPOs but to operate as profit-corporations instead. Most of the NPOs in India have a rather meagre professional staff for running their organizations. With a shortage of competent staff, many NPOs are preoccupied with daily operations and do not have additional personnel who can devote their time and energy to institution building. Let alone any idea of institution building, which includes very vital fund-raising efforts, they prefer small NPOs. As changes are taking place in the policy arena, funding becomes more challenging and causes additional problems.

In the wake of globalisation, many institutions of local governance were de-legitimized and de-recognized by the government. Its agencies, such as PRI and government *NGOs*, began to take over those functions. Undermining their material base and taking over their jurisdiction were the two dominant strategies employed by the state towards this de-legitimisation during the Ninth Plan. The Tenth Plan carried forward the tradition and consolidated its achievements in this direction by creating conditions for sustainable development. In the face of popular attempts at de-legitimisation of NGOs and NPOs, the local governments played similar roles under the guise of voluntary organizations in the community. Civil society responded to the unique socio-cultural and ecological milieu of their communities and began to create uniform structures. This uniformity, resulting from a desire for universalization, has led to homogenisation of the structures. One of the major consequences of this homogenisation has been the de-recognition, de-legitimisation and dismantling of social diversity and pluralism from our societies. It is due to the active citizen is socialized into a passive consumers and lost the civic and political role of citizenship. This further implies NPOs can play strategic roles in strengthening civil society in the context of programme and activities. For NPOs this makes for an exciting and challenging time. They are no longer regarded as irrelevant, but find themselves drawn into the mainstream development debates. They have vast resources at their disposal. And they have the capacity to influence those who wielded even greater resources. They are at the cusp of great opportunity.

The Entwining of Mission and Financing

Many units of the non-profit sector face increasing financial pressure because of the growing gap between the resources available and what they see as crying social needs. This results in part, from government programme retrenchment, but the situation varies substantially among the NPO segments. For instance, in the NPO-run health services, the revenue from donors has grown in real terms; but, the services, as reflected by the beneficiaries who received them, have not grown. This increases the pressure on the NPOs to find additional resources. 'Need' is difficult to define and measures; but, if NPOs look out for new avenues of revenue, they have few choices other than to increasing private donations and/or increasing income from services which would be a commercial activity. New commercial activities comprise a major path open to the non-profit sector to generate additional revenues; as more and more NPOs enter the realm of identifying saleable outputs, they become a part of the domain of private enterprise, where selling goods and services is the pre-eminent source of revenues (Abelson, 1998). NPOs, which pursue revenues in the same ways that private firms do, are likely to emulate those firms. And, their becoming more and more like them, may undermine the fundamental justification for their own special social and economic roles (Farhi, 1997). To what extent this occurs is important for public policy, since the justification for the NPOs receiving subsidies, donations and tax exemptions NPOs hinges on the NPOs' differentiation from private firms. This increase in commercial activities in the non-profit sector raises the question as to whether NPOs are merely 'for profit' organizations in disguise, - wolves in sheep's clothing.

As NPOs adjust themselves to the change in revenue sources and organizational performance not enough is known for certain about the direction of causation – whether changes in contribution of time and money are the cause of the result, or the changes in NPOs' activities. The real questions that arise are: What has been their contemporary character? What range of roles and initiatives do they encompass? How does funding affect their performance? How efficient are they *vis a vis* working capital management and funds management? What kind of costing methods do they use for financial management? What are the sustainability measures assumed and the indispensable dimension in the projectization process? How will these NPOs sustain themselves? And, finally, what is the potential for their future contribution? The Seventh Five Year Plan (GOI, 1985-90) gave recognition to voluntary organizations but wanted certain restrictions on the nature and form of their work. This background prompted the present study to conceptualise a more comprehensive and systematic study reflecting NPOs in this region.

It is against the background of these issues that one has to understand the context in which NPOs in this region have grown and evolved. At this juncture, a more detailed and comprehensive study of NPOs could prove fruitful. It can bring about clarity on the roles they have played in our society in the past as well as at present. A comprehensive look at NPOs' behaviour and their dynamics, particularly financing and sustainability, could bring about an understanding of how to deal with them. All the NPOs studied expressed the view that there is a need for a study like the present one and that it would facilitate internal reflection and critique of their own work and contributions.

Chapterization

This report is divided into eight chapters. Chapter One gives a conceptual overview of the non-profit organization and their perspectives on financing in India. This Chapter also outlines the non-profit mission and its evolutions in India and their level of existence. Chapter Two sketches the research framework for the remainder of the report, emphasizing theories and practices on financing sustainability and globalization issues. This chapter assesses the research approach and further explains the concepts financing sustainability and globalization and argues that financing sources differ in their resource characteristics along several dimensions, each with important implications for globalization perspectives. After reviewing how and why sustainability environments differ in various missions, this chapter discusses the practical implications of the theory and research. These perspectives serve as the basis for developing eight organizational profiles in the detailed case studies that follow in Chapter-Three. The chapter specifies the criteria by which these organizations were identified, describes the major source of data that draw on for documentation and provides a brief history and description of the participating organizations.

Chapter Four reviews the funding patterns for non-profit organizations, examines major types of non-profit funding sources, and explores key contingencies associated with each. This chapter establishes the relative importance of the four major forms of funding for non-profit organizations: government funding, official aid agency assistance, community contribution such user fees, service charges and product price and, donations. In addition to this, this chapter also documents the diversity of funding patterns for individual organizations as well as the extent to which changes in overall revenue for the case study organizations can be linked to service fields and form of programme development. Chapter Five examines how non-profit organizations manage the overall coordination of their resource relationship. This chapter pays attention to the work and strategies involved in managing grants and other resources including delayed payment, cash flow, personnel turnover and overall coordination. In other words, it explores the idiosyncratic nature of the restricted grants and the contract system and reviews the technical problems that it presents for management and strategic planning.

Chapter Six draws on the underlying premise sustaining the social development partnership for sustainability efforts, section by section. There are four sections, each building on the preceding information, beginning with unpacking social development partnership and institutional, programmatic and financial aspects of sustainability. This chapter contains options and choices and some ideas and concepts, which might work well, not recipes and directives. Chapter Seven explores the inter-relations of non-profits mission' with other parts of the economic system and the differential constraints on them for developing a sustained development partnership and the differential goals. Doubtless, the vast array of non-profits includes organizations at both ends of the spectrum. The analytic framework presented here is a structure for examining the behaviour of non-profit organizations and identifying in what ways they can sustain themselves. And, Chapter Eight, the discussion constitutes a overview of the previous chapters, is followed by a section identifying a number of issues that call for targeted research, and another on what the study findings imply for the development of a sound public policy toward the non-profit section and its financing.

Chapter Two

Financing Sustainability and Globalisation: Theory and Research

Aid financing has an important role in the future. Yet, accumulated weaknesses, defects and contradictions in the current concepts of aid and sustainability discussed in this Chapter points to the growing need for a fundamental change in thinking to engage the whole aid relationship and fund management, embracing the role and purpose of aid, the form it takes, its place in the broader relations with different types of NPOs/donors. What is needed, however, is not the creation of a completely new sustainability outlook but the establishment of a firm contemporary agenda that builds on some of the proven strengths of the community based agenda. Within this context, the thinking about sustainability in particular ought to be built on a firmer and more strategically robust foundation than available now. This Chapter comprehensively reviews the key questions about aid and sustainability today, including the changing motives for and the purposes of providing aid, the need for new aid targets, distinctions among various recipient NPOs and the implications of globalisation. In fact, it is an attempt to understand the term in the context of globalisation through a process of transforming that understanding into organizational action. Although 'sustainability', 'globalisation' and 'organizational action' can stand-alone by themselves, it may be a useful exercise to explore the sustainability concept under the globalisation setting, drawing on their own experiences and the best practices from the country, India.

Sustaining the Mission and Beliefs

'Sustainability' is a word that has been in the development lexicon for years. However, it is only relatively recently that attention has been paid to understanding, concretely, *how sustainability can be achieved*. This is because donors' support / funds have been shrinking and the number of NPOs has grown. Due to this, issues of sustainability have come to the fore. Sustainability is the logical culmination of the NPO participatory process and development philosophy. NPOs can make a difference, but this is true only when they operate with a clear intention of making lasting changes and creating conditions that facilitate self-determination and ownership. In this way, Verma (1978, p-12) states, "sustainability is defined as long term availability of the means required for achieving long term goals". Raju (1992) adds that it is any efforts that would provide for a continuous flow of inputs, benefits and services throughout their intended lifetime. At the same time, the success of the effort should be assessed by its ability to sustain this flow of benefits over time. That is, sustainability is defined as a programme's continuing ability to deliver services or sustain the benefits after the donor's technical, managerial, and financial support has ended (Shirley Buzzard, 1987, p-2). According to OED (1986) of the World Bank, "sustainability is the ability of a project to maintain an acceptable level of benefit flows through its economic life. While this may often be expressed in quantitative terms involving the internal economic or financial rates of return, benefits may also be qualitatively assessed". This is possible where developmental activities produce outcomes of sufficient value and the programme generates adequate local resources to support the continuation of the benefits at a steady or growing level.

According to Bamberger and Cheema (1990) sustainability is a relative concept and has to be assessed in terms of a set of indicators, which combine different quantitative and qualitative aspects of project performance. Khan and Hare (1998), however, assert that sustainability efforts should emphasize continuing community level benefits rather than the survival of the organization. George Honadle and Jerry Vassant (1985, p-2) are of the view that "…clearly, neither the form of an organization nor its survival may be equated with sustainability". In other words, sustaining the benefits means that "…the services remain available and that the intended population, often the poor or disadvantaged, continue to have access to them" (Khan and Hare, 1998; p-1). It is possible for organizations to achieve a level of sustainability where they are not reliant on external sources of funding to continue their most effective programmes. In contrast, many (NPOs, individuals, agencies, etc.) believe that sustainability is in conflict with serving the poor. They fear that the poor will not have access to services as donors phase out and organizations increasingly emphasize cost recovery. Conversely, this is not necessarily true fundamentally, if the focus is on sustaining the benefits.

According to EDI (1992), sustainability means when a project maintains the level of infrastructure created for delivery of services; reorients staff from time to time, to motivate and update on technology; motivates the community to utilize and support available services – is community oriented; and, generates the financial resources required to maintain the services after withdrawal of the project grant. In other words, sustainability may be defined as not an end state, but an ongoing process of understanding and adapting to the community's changing needs. It is led by a vision that results in deliberate actions. There are some common activities, which enhance sustainability, and they require a shared commitment within the organization and between it and the donor agencies, government, public sector, and community. From this perspective, if an organization survives, after the donor leaves, by serving the middle class rather than its intended population, it has not sustained the benefits. There is a need for developing a model to achieve enduring benefits through promoting an entrepreneurial approach in a mission-driven organization that effectively responds to changing community needs through the provision of valued services and builds the capacity of the community to own and manage the programme, so that the organization might exit while leaving the benefits behind.

To conclude, sustainability, from the institutional point of view, is about a long-term organizational direction, a clear vision and mission, dynamic leadership, a strong image, and committed staff. It is creating responsive programme planning, providing services valued by the community, community level capacity building and overall strengthening and sustaining of the service delivery system. Although sustaining the benefits is not necessarily the same as sustaining the organization, without it, no organization will be able to generate sufficient resources to sustain the programme benefits. It is quite possible for the organization to phase itself out while the community continues to benefit; for example, the programme could be handed over to the public sector or to a community-based organization, or the services could be privatised. It is also possible for the organization to continue, while benefits deteriorate. So, it is important to be clear what – the organization or the benefits – is the primary focus of the efforts for sustainability. According to Ruth and Bennett (1995), sustainability is the capacity of the programme and the institutions within it to provide its current and potential clients with the information and services necessary to obtain the benefits of the programme – on a continuing basis and without external aid. Funds/financial resources are necessary but it is not a sufficient condition for sustainability. Richard Martin (1993, p-20), on the other hand, states that financial sustainability is the ability of the provider to generate enough income to support the programme when AID funding is no longer available.

The Politics of Aid, Governance and Globalisation

Here is a statement by the Commission on Sustainable Development, NGO Finance, Investment and Trade Caucus to the NGO dialogue on the agenda for Work of the Ad hoc Working Group on the 2001 General Assembly High Level Meeting on Financing for Development, April 29, 1999: "the evidence from around the world is that current models of Financing, Investment and Trade have repeatedly proven themselves to be destructive of cultures and peoples, undoing the fabric of civilized, moral and ethical society. Not only do the FIT policies underlying these financing models result in egregious misdistribution of wealth and access to resources, they destroy the very ability of people to sustain their livelihoods. The ordinary people in this world, particularly those one billion and more living in poverty and desperation, as well as our global ecosystem *cannot stand much more of such development…*" (p-1).

This frustrated statement by the Commission reflects that restructured financing reforms and measures to be taken for any kind of development, must be open for input and participation at all levels from community and individuals. New models must be planned, implemented, monitored and controlled in ways that ensure participation by local communities that are consistent with local community plans, interests, and needs. Despite their economic emancipation, sustainability is about the power to control and accesses resources. It has to do with human or material resources, the sources of which have to be diversified. In other words, just as organizing the community is necessity for political power and sustainability, so also increasing the resource base of the community is essential for its economic sustainability. It must be emphasized that the social, political and economic aspects must go hand-in-hand for the community to be sustainable. The resource base of the community has to be enlarged so that it can sustain the community.

Bhat et al (1999) say, "…the fundamental requirement for a community to be sustainable is that the locus of power lies within it. Unless this is so, the community is fragmented and thus unable…". In other words, sustainability is sustaining the ability to exercise the power of the community. The former Prime Minister, Narashimha Rao said in a meeting organized by the South Asian Association for Regional Cooperation in 1992, "... social mobilization, enabling and empowering the people to receive fully and fruitfully what is intended for them is the central issue in all development. Such social mobilization can be done only by agencies that are not bureaucratic..." Candidly, the World Bank in its report, "Meeting the Challenge" in 1992 expressed its concern to the Independent South Asian Commission on Poverty Alleviation, "all economic, political, cultural and social – are a necessity. There is no getting away from it. Interventions cannot be based on desperate hope or good intentions. NGOs, shy of entering into all the arenas, or encouraging the people to do so, may be doing 'good work'. But they are not creating sustainable communities. No matter what the entry point of the intervention that triggers off the development process is, the other two must be tackled and brought in at the appropriate time, before there can be any claim to the accomplishment of empowerment or sustainability". Therefore, there is a need for consideration of innovative sources of financing. It must start with redirecting much of current spending on unsustainable mega-projects towards locally planned development programmes. The Caucus (1999) added that funding pattern or investment can be subject to local community monitoring and control, as well as national capital controls. Stable sustainable development can only be achieved when donors, who have an interest in profiting from local community labour, natural resources or knowledge and culture, bring with them a commitment to work within the boundaries, interests and needs of those communities. The Caucus felt that the current patterns of globalisation worsen the lives of ordinary people around the world on a daily basis and continue to devastate the global environment.

'In a world of ever-intensifying globalisation, whose challenges are becoming increasingly complex, the G8 must reach out' (G 8, Communique, Okinawa, July 23, 2000). This statement shows that progress is possible where the right conditions are created for growth and social development. But it also reminds us of the vast challenges that remain. While the percentage of the poor in developing countries declined from 29 percent in 1990 to 24 percent in 1998, there are still 1.2 billion people living on less than one dollar a day, and there are marked differences both within and between regions, according to various reports of the IMF and Multilateral Development Banks. As the reports indicate, many countries have made significant progress in overcoming poverty in the past quarter century and, we have learned that poverty can best be overcome in resilient, peaceful, and democratic societies with freedom and opportunity for all, growing and open economies and dynamic private sectors, and with strong and accountable leaders and institutions. Thus the globalisation concept here means 'partnership' to abolish poverty. The post-Rio guide to Agenda 21 offers a much more inclusive vision of partnership for development emphasizing sustainable development; fostering growth with sustainability and people's participation and responsibility. The new form of partnership i.e., globalisation calls for a new means of cooperation in place of the traditional forms of aid. Robust, broad-based and equitable economic growth is needed for expanding people's capabilities and choices.

The beginning stages of the 'Financing for Development' process have been characterized by a remarkable spirit of partnership and cooperation. The Working Group ended its 1999 session on an optimistic note and concluded in its final report: "We have an opportunity to begin the new millennium with a historic and goal-oriented collective political gesture of global solidarity for development and practical commitment to achieving it." To be successful, the momentum of sustainability with donors and NPOs has to be nurtured and made to include all our prospective partners. An inclusive and continuing preparatory process would increase awareness and build equal support and participation, while deepening the substance of the project and fulfilling the aim of the partnership. UN General Assembly efforts are complemented by attention to development financing from the highest levels of the United Nations. The Secretary-General, Kofi Annan (1998) underlined their importance by including in his reform proposals such key provisions as establishing a new Office for Development Financing, proposing a mechanism for burden-sharing and greater predictability of aid, and the planned use of administrative savings to fund a "development dividend". Although the UN global conferences of the 1990s generated increased understanding and consensus around development issues, they were not accompanied by the necessary sources of funding to implement the agreements and commitments. However, the UN stated that countries' own savings and investments are essential contributors to development. It noted that countries, which have seen significant reductions in poverty, usually have high domestic savings rates and substantial investment in people, by way of education and health care for example.

On the contrary, according to International Financial Cooperation for Development (1996) and Official Development Assistance and Debt Relief, "...financial and human resources have generally been insufficient for the advancement of women. Full and effective implementation of the Platform of Action (1996)... would require a political commitment to make available human and financial resources for the empowerment of women…The reformulation of policies and reallocation of resources may be needed within and among programmes...mobilization of additional resources, both public and private, including resources from innovative sources of funding, may also be necessary..." ODA is of the view that enhancing coherence and consistency of the monetary support, financial and trading system in support of development and avoidance of financial crisis and excessive financial volatility, and enhancing effective participation and integration of developing societies with economies in transition in the global economic system, including through capacity-building are essential. In the wake of the East Asian financial crisis, many at the UN saw a need for greater global governance of the world economy. In an address to the UN Second Committee, University of Toronto Professor G.K. Helleiner (1997) argued for an increased role for the UN in global economic policy. He noted that the "… process through which the current international monetary and financial system is attempting to respond to the challenges thrown up by the new global economy is…. tortuously slow, insufficiently participatory, overly influenced by powerful lobbies from the financial sector, and constrained by jurisdictional ambiguities and turf struggles…".

On the contrary, according to Lester Salamon feels that governments around the world are becoming more democratic and less authoritarian and, second, advancing means of communication allow people around the world to share information and strategies. In other words, development through global economic integration and growth has the potential to produce greater wealth in short-term. Although initially globalisation will most likely benefit a small section of the community, – this idea predicts that it would eventually 'trickle down' to the larger population through new sources of employment, rising incomes and availability of improved technology and infrastructure. The downside to this orientation has been that development based solely on economic growth is unsustainable, both environmentally and socially. Juan Somvia, President of Economic and Social Council, describes this development agenda as the "only common response of the international community to the disorderly system of globalisation". This shared understanding is arising spontaneously, from different sectors and cohorts. Ray writes in *American Demographics*, "It is a comprehensive shift in values, world views and ways of life… They are eager to rebuild neighbourhoods and communities, committed to. …sustainability…"

Despite ongoing conflict within nations and many regional and global tensions, there is growing evidence that we are entering a new era of partnership. Indeed, partnership is evolving from a legalistic business concept to a more general inter-personal and inter-organizational idea. As we enter the new millennium, partnership is emerging as a powerful organization principle for people and organizations throughout the world. And, this has become the most acceptable and required form of local governance. In other words, globalisation attempts to bring diverse perspectives together in order to discuss differences and identify shared interests.

Thus, aid, governance and globalisation have conventionally been highly political. Therefore, there is a need for motivating community financing, domestic resource mobilization and governance - the key development issues - have consistently been called for. Yet, the diversity in progress and opinion on sustainability have not taken the desired course. However, development 'financing' has been a major topic of the past few years; some fear that globalisation is a synonym for 'downsizing', while others hope that globalisation will revitalize the development system and solidify its financing patterns. Globalisation sounds highly technical, but the core issues are nothing but academic. People, particularly the poorest of the poor, have the most to gain or lose in the search for financing for equitable sustainable development.

Partnership in Financing: Concerns and Features

As we have seen above, the emergence of a global civil society based upon partnership principles, people's participation and responsibility is now considered one of the real hopes to democratise the global political economy (i.e. globalisation) for sustainability. As an idea of partnership, globalisation attempts to bring diverse perspectives together in order to discuss differences and shared interests. This, in turn, offers the possibility of implementing joint responses as individuals, groups and organizations to complex problems.

Finance is not the first word that comes to mind when one thinks about partnership and sustainability. Over the past three decades, most relationships between government, business and civil society have been founded upon conflict. In different sectors and geographical settings, this pattern of relationships began changing in the early 1990s with the emergence of globalisation between these long-standing adversaries. For instance, many of North-based international business – NGO partnerships to date have appeared in the North than in the South and have significant implications for the South that promoted social development partnerships (David, 1998). Whereas there has been a longer history of partnerships and consumer politics in the North, Miguel de Oliveira and Rajesh Tandon note that most NPOs in the South initially "allied themselves with popular movements to oppose the state, while for all practical purposes, ignoring the market and its institutions…" (quoted in Business and NGOs in the Global Partnership Process by David, 1998). In the face of globalisation and state deregulation, however, Southern NPOs, particularly in India, are beginning to recognize the need to more directly influence and, in some cases, collaborate with business for social development partnerships. Explanations for this transformation range from the perceived and actual decline in the regulatory role of the nation-state in the face of globalisation, to the consequent rise of market-oriented NPOs and consumer protests aimed at making partnerships more accountable for their social and economic impacts. A few researchers suggested that NPOs are beginning to find common ground around the concept of partnership and sustainability in order to find solutions to global-local problems which inter-governmental processes are failing to resolve. In other words, sustainability entails negotiation between social, economic and environmental interests, which may be problematic.

On the other hand, power is a central feature of all societal processes. However, it assumes a different form and role in social development partnership. Shared power emerges from a collaborative process where financing recognizes each other's legitimacy and authority to define problems and propose solutions. The NPOs' role here is to find more positive ways of sustaining the action and solutions that are created by and with the community partnership. Although power differentials between participants often remain, the NPOs need some degree of countervailing financing power in order to sustain the service delivery system. That is to say, they must be, to a certain extent, dependent on each other. In the face of globalisation, NPOs need to work with a committed sustained service delivery system to promote social development partnerships. With much of the relationship founded on a mutual give-and-take, and exchange of value for value processes to achieve and sustain the shared objectives, it enables the NPOs and community to build broader support in terms of financing and partnership for long-term benefits. Without a commitment to mutual symbiosis, it seems unlikely that, community and NPOs would be able to see each other as people rather than as caricatures of their respective images. Given that social development partnership – i.e., financing each other – depends so heavily upon intimate association between motivated individuals and the organization, the partnership – i.e., financing for sustainability – requires much more that personal commitment and the influence of individuals. It needs to be institutionalised via some form of referent association between individuals in the community and the organization. In other words, financing here means partnering for more equitable and sustainable futures.

Positioning the Mission and Financing: Setting the scene

Just as development economists cannot resist using GNP/GDP as their measure of progress, so too NPO leaders are preoccupied with their organizations' turnover. Intellectually, they are well aware that money spent does not equate to development achieved, and that all problems cannot be overcome through projects. But, they also know that the public, the media and even their peers judge the worth of their organizations by this single, narrow measurement. When choices have to be made, the preference is for raising funds rather than public consciousness.

A more recent NPO trend is influencing change in the organizational structures. Official aid agencies have been going through structural adjustment, and positioned themselves as facilitators and primary actors in the promotion of macro-policy reform, in the conviction that more effective and sustainable development is possible only in a conducive policy environment (Korten, 1986). Equally, if not more important, are the reforms in local government structures and institutions.

For instance, VCT which grew rapidly in the 1980s helped villagers to acquire drinking water facilities. Helped by community contributions, now 50 per cent of the villages have drinking water facilities. Its success was such that it was able to invest in empowering the community to come together for a wide range of productive activities like spinning, dairying, carpet weaving, etc. In the early 2000s, VCT encouraged milk-cooperatives, supported women and the landless to acquire milch stock and organized daily collection of milk from villages, paying good prices for it. The government cooperatives willingly accepted it with a view to reconstituting the wide range of milk products for sale to meet the nation's rapidly growing demand for such goods. The collaboration has had many difficulties and drawbacks, which are not relevant at present though it provides an interesting case study of the problems encountered in attempting rapid replication of village structure. The price of the milk was not increased in the last two years as inflation fluctuated. The point here is that a local NPO's initiative became threatened by the insensitive policy decision of not increasing the price. Rather than going for negotiation and bringing about a new, more hostile environment, VCT lobbied with the milk producers to support the organization to build a factory for producing milk products. VCT seeing the market, growing rapidly decided to invest in the construction of a factory producing a wide range of dairy products. This shows that NPOs do not comprise a tight community but a broad spectrum – too broad, perhaps, to leave the term with much meaning.

If we analyse the situation in depth, we see that both VCT and the cooperative society are acting idealistically, but are pursuing different missions, probably because the organization as a whole has neglected to provide the right guidance. A clear organizational mission might ease the conflicts between the cooperative society and the community, create greater unity and coherence, and provide motivation for the community and its supporters with an exciting vision of what the organization is striving for rather than oppose it. It is the advocacy work of VCT that would result from the tensions between its own mission and that of its collaborative partner. Having a mission statement is an active rather than a one-off activity. It requires the NPOs to invest in on-going analytical work, both to be better placed to seize the opportunities for forwarding the development process it has defined, and to bring together the various (official) departments in a sprit of common endeavour. If this kind of approach were not taken, sustainability and community involvement would become questioned. As stated above, *enterprising community* is more important here. Pressure to allow the informal sector, the milk community in particular, access to bargaining and negotiation, used as its chief weapon is evidence from the NPOs' experience that the poor use credit wisely and repay promptly. In other words, such pressure seeks to make the market place more free. It exposes the prejudice that obstructs market principles and the economic reality. What I learnt here is that *no development can be totally neutral (but it is about taking sides)*. Some achievement is possible by improving services and economic activities for the needy, but the most significant changes depend on redistribution – increasing not just economic and materialistic measures but also their egalitarian means. Such redistribution is highly systematic and sustainable.

Globalisation and Social Sector Reform

As far as my understanding goes with reading policy documents- the programme of structural reform initiated in 1991 has, as its principal objective, the creation of a strong, efficient and competitive Indian economy, to subserve the basic national objectives of growth, equity, and external viability. An integral element of this structural reform is to allow greater play to community ownership and promote maximum utilization of local human and physical resources. The role of State itself is also being redefined as a facilitator of development rather than as an active participant in investment and implementation. This change brought 'profit-making' corporate sector to have their 'social wings' to support the social sector. The state is expected to play a more proactive role in the building up of the social and physical infrastructure. This liberalization process made the social sector develop intimate inter-linkages with other sectors, including agriculture, industry and banking. This globalisation process was conceived of as an essential element in the programme of structural adjustment, which, perhaps, is the most important institutional and functional vehicle for socio-economic transformation. This is based on three broad and inter-related premises: [1] C*ompetitive efficiency* in successful, meaningful and sustainable programmes; [2] E*nterprising participation* – A healthy and efficient system that is developed at community level with people's involvement in programming, designing, planning and implementation, a system advocating functional capital support from the community, which it is an inherent strength; [3] E*volving nature* - An extension of [1] and [2] – an effective system which builds up and re-builds up its internal strength and profitability, the community and the system equipped with a measure of operational flexibility, autonomy and authority to bring about external changes and remain free from political pressures. An evolving the community means engaging in closer regional collaborative activities and building networks among themselves, thus providing opportunities to establish institutional linkages which are prerequisites of community building.

One can presume, that the social sector reform process was initiated along the line of globalisation on the basis of these three premises. This reform is likely to progress, given the continued structural changes in the economic field and its intense interactions with the social trends to institutionalise cooperation and collaboration through official norms. It can be argued that mere economic interactions and linkages are not a sufficient basis for social transformation. In fact, they could turn out to be a source of acrimonious social-economic tensions and conflicts among the society. For instance, the European integration could not have been carried out through governmental negotiations alone. Instead, the process of European integration has been underpinned by multiple layer NPOs interactions, including other diverse non-governmental organizations.

Despite these significant quantitative achievements, there has been a measure of deterioration in the quality of services.

Where economic and social factors have such an intimate bearing on one another, it is difficult to draw too sharp a distinction between programmes for promoting social welfare and programmes for promoting economic development. They both subserve an identical purpose. This is why the impact of NPOs is not seen very clearly and NPOs in turn started claiming that they were an ‘alternative to government’.

Though globalisation has helped some important advances in the developing countries, the underlying problems remain firmly entrenched. Infant and Child mortality rates have improved in the wake of medical advances and improvements in social services. But, these changes have merely enabled people to survive their poverty, not to be freed from it. Advances in agricultural technology have helped turn countries such as India from being food-deficient to food exporting, but there are more hungry people than ever before (Ravichandran, 2000).

The billions of rupees spent in India on infrastructure have improved roads, electricity supply and safe-drinking water supply, but generally not in the regions where people are dying of hunger.

The outcome excepted from NPOs is not forthcoming. This is because NPOs in India are not answerable to either parliament, or its electorates. Their being answerable to only their donors makes it easy to start such an organization. Provided that they remain within the law of the land, they can continue raising the funds they need, and chart their own course. Large numbers of NPOs by themselves do not ensure development; they can, however, make growth possible. Though sometimes overlooked by NPOs, economic growth is vital for financing improvements in the quality of life desired by the people (Clark, 1995). But, this is only one component of development (Ravichandran, 2002).

What has globalisation achieved? It has recognized the importance of poverty alleviation and has paid more than lip service to the concept of equity. This implies a shift in the development model so as to induce investment in the poorer members of society through redistribution of wealth and incomes. It is a strategy of investing the surplus resources a nation generates in human capital. At the same time, the concept of globalisation has made it clear that "equity is not charity". However, it is pursued that society can run efficiently and can be better off when its productive assets are distributed broadly. Countries, politically as diverse as China, Japan, and South Korea, have demonstrated this.

Uptill the 1960s, there had been a considerable fanning out. Some remained with their traditional activities, which others progressed to new activities. Increased reliance on the state to intervene directly to reduce poverty began in the 1960s, after the market and the 'trickle down' approaches failed to affect significantly the depth of poverty in developing countries, particularly in India. It was argued that the slow progress of poverty reduction was not only due to 'bureaucratic failure' but also to the market catering primarily to elites and ignoring the basic needs of the poor (Kothari, 1984; Drabek, 1987). In the late 1970s, the spectrum broadened. An alternative development model advocated a 'bottom-up approach' that involved the poor directly in income-generating activities and social activities. The purpose was to enhance their income-earning capacity and to empower them to develop on their own. At the same time, many NPOs engaged in self-help activities came to realize that there was a limit to how far the self-help activities could go, as a result of the vested interests of the political and economic elites. A combination of political education and social organization designed not just to improve living standards, but to help the poor to perceive their exploitation and to realize the opportunities they have for overcoming such exploitation through mass support. For instance, we have the NPOs in the Indian subcontinent. To those who are brought up to believe that, because of their caste, they are born inferior and therefore destined to be illiterate, its is liberating to discover that they have the ability to learn to read and write, and this is an outcome of the birth of the adult and functional literacy programme. The gradual realization throughout the 1970s that poverty is political in nature gave birth to advocacy as a new activity. This conscientization approach making development a political process proved uncomfortable to the vested interests. NPOs began programmes of development education, public campaigning and parliamentary lobbying in pursuit of political changes. Again, a conflict of interests became apparent and led to the failure of the conscientization approach.

What are we trying to Sustain?

The Brundtland Commission (1987) concluded that one of the main prerequisites of sustainable development is "securing effective citizens' participation in decision making". A project, to be sustainable, must address the aspirations and the problems identified by the community, in particular the poor, and must have a management and decision making structure in which they have confidence. NPOs must ensure that the discussions and conclusions reflect the views of the community, rather than those of the traditional community leaders. This entails fostering a new cadre of leadership from among the needy and demands NPOs to have distinct facilitation skills. While facilitating the process of discussions and in the decision-making, NPOs must maintain the *status quo* to make sure that the priorities are realistic and to spot difficulties and backlashes, which might occur. NPOs should train the community in the necessary skills for execution such that the people feel greater confidence on the one hand and on the other, NPOs should avoid entering a community with preconceived notions such as development means removing barriers and obstacles. This would restrain the needy community from achieving its full productive capacity. Socially enterprising the participation alone can alter the power balances, remove inequity and strive for basic rights.

Enterprising the participation does mean just contribution in money or kind by the community (or individuals); it is involving the community in efforts to achieve its full productive capacity. Before defining '*enterprising the participation',* we need to examine what is actually happening with these terminologies on the ground. *Participation* generally is invited activity where services are created and supplies supplemented by way of receiving or attending to. For example, participation is very effective in the health sector, where people visit and receive services, which are pre-determined, and the people have no voice in demanding supplies that are required by them. In the case of '*involvement',* people are coerced by local authorities or NPOs to make 'voluntary' contributions to some community undertaking. For instance, in the construction of '*Balwadi* Center' in Churu, the local authorities and VCT (a NPO) expected the community to contribute in cash or kind or their labour in the sprit of 'involvement'. Most of the decision-making is decentralized, but is dominated by NPOs' staff and local elites.

How can one sell the concept of participation i.e., enterprising the participation, looking at it as a two-way process. It would be a socially neutral course of action which would involve the community in new way of thinking in the process of decision making and problem solving creativity on the one hand and engage it substantially in the setting goals and demanding partnership in functioning on the other, which, in turn, lead to sustainability. It is just like, *'mungfali bejne wala (selling groundnuts in the beach)".* Why do we need to think of this approach now? Because, participatory programmes become highly problematic when they become too large. Decision-making becomes complex and there is a great chance of the benefit also being hijacked by local powerful individuals.

All the studied NPOs projects have avoided these difficulties by remaining small. A frequently stated disadvantage of small-scale activities is the disproportionate administrative costs when the NPO staff has to handle large numbers of small groups. But, it would be wrong to see the NPO staff simply as administrators. They also provide advice and help build confidence among poor communities. In other words, the participation is within a small group of people whose background and knowledge are roughly similar and the NPO staff feel comfortable in pushing their ideas and views in the direction they want and induce the community to take decisions which would safeguard against any decision which might affect their own work plans. This is the common practice across the NPOs and they also prefer it. How is one to involve the people and make them participate to their fullest productive capacity? This is where enterprising the participation comes in. How does it affect the community and on what basis? Small groups and less involvement of people make the community powerless and disconnected with developmentalization; small groups are easier to handle and manage and result in low cost, but it also lead to poor quality and cohesiveness and creativity could become temporary and unsustainable. Taken together, it is an unprofitable approach. In other words, participation failed in practice and did not live up to the rhetoric. Nowhere is the gap between rhetoric and practice starker than in the field of development. NPOs describe at length the importance of this subject. However, analysis of NPOs' practical work with women (Yudelman, 1987) indicates that their projects tend to enhance their domestic role, but not productive role. They typically concentrate on teaching sewing and weaving, while women's contribution to agriculture seems to suffer the most neglect. In another example from Asian countries, a training programme for village women concentrated on strengthening "traditional women's activities" such as health care, child nutrition, family law, and sewing, but completely failed to address their active role in agriculture, in spite of many reminders from the women participants that this was their truly traditional activity. This clearly demonstrates that NPOs, in general, do not undertake projects according to the needs of the community. NPOs have their own ideology and want to push that into the community. This again, is where 'enterprising the community' comes in; and in here the community initiates, decides upon and executes those activities that they want and where the NPOs can facilitate the process and fulfil the needs.

All the information gathered from the study NPOs indicate that development strategies directed at poverty alleviation are themselves a fundamental transformation. With each passing year, a gathering momentum is shifting the traditional, centrally managed, supply-driven emphasis of development toward demand-based approaches that place local stakeholders at the heart of the process. Before the globalisation process, governments and external support agencies were expected to provide support for community-centered initiatives. And, after the globalisation process, the communities are expected to make a contribution towards the developmental activities. If the people in the communities are to take greater initiative and responsibility for their own development, they must be actively involved in the thought process, creative initiatives, planning, decision–making, problem-solving and execution. This means that they should have opportunities for collaboration and partnership that certainly lead to sustain the benefits.

Good intentions not enough

Different approaches to development – sustainability *per se* – have, in the past, profoundly divided development thinkers and currently lie at the heart of many development debates: Should development have, as its primary goal, economic growth through the integration of communities into the globalisation process or should the development process have at its base goals of environmental and social sustainability?

In recent years, NPOs have mushroomed. UN report (1995) on global governance suggested that nearly 29,000 (projected as of today, 34,800) international non-profit organizations existed. Domestic ones have grown even faster. By one estimate, there are now two million (projected as of today, 2.6 million) in America alone and about one million NPOs in India in 1995 (projected as of today, 2.5 million), - most formed in the past 55 years. In Russia, where almost none existed before the fall of communism, there are at least 65,000 (projected as of today, 78,000). Dozens are established daily; in Kenya alone, some 240 NPOs are now created every year. The end of communism, the spread of democracy, technological change and economic liberalization, globalisation, in short, have created fertile soil for the rise of NPOs. Most of these are minnows; some are whales, with annual incomes of millions of dollars and a worldwide operation. Some are primarily helpers, distributing relief where it is needed; some are mainly campaigners, existing to promote issues deemed important by their members. Globalisation itself has exacerbated a host of worries: over the environment, labour rights, human rights and so on. The general public in India tends to see them as uniformly altruistic, idealistic, and independent. But, the terms 'NGO' and 'NPO' (see detailed discussion in Chapter I), like the activities of the NPOs themselves deserve sharp scrutiny.

The tag 'NGO' was used first at the founding of the UN. It implies that non-profit status organizations keep their distance from officialdom; they do things that governments will not, or cannot, do. Economists sometimes refer to NPOs as the "third sector". In fact, NPOs have a great deal to do with governments. Not all of it is healthy. A growing share of development spending passes through NPOs. For instance, according to Carol Lancaster, former Deputy Director of USAID, NPOs have become "the most important constituency for the activities of development aid agencies..". Of the 83 NPOs observed between 2003 and the end of 2004, all but 90 percent received all their income from foreign aid or multinational funding along with government support. Such official contributions will go on, especially if the public gets stingy. According to UN the staffer Antonio Donini, public grants represented 1.5 percent of NGOs' income in 1970 and 35 percent in 1988. Such grants probably accounted for more than 40 percent of NPOs income by the end of the century. This trend inevitably exposes NPOs to pressure from governments and limits their capacity to act independently. In addition, nearly three-fourths of NPOs receive donations, gifts or support from individuals, industries, institutions, etc., and have hundreds of partners. This, as we saw in Chapter I, is not a matter of charity, but of privatisation.

Perhaps, over 15 per cent of all jobs in India are provided by NPOs. Many of these NPOs have come to depend on their media presence to help with fund-raising. This is causing NPOs their greatest problems. They are adapting from shoe-box outfits, stuffing envelopes and sending off perhaps one container of medicines, to sophisticated multi-million dollar operations. In the now crowded relief market, campaigning groups must jostle for attention for the NPO's increasing expenditure on marketing themselves. The biggest ones typically spend 10-15 percent of their funds on marketing and fund raising. This raises questions almost the focus of such NPOs, which shift from finding solutions and helping need recipients to pleasing their donors. For instance, tens of thousands of Tsunami victims (in 2004 end) depended for shelter and food on government and NPOs. Their dramatic plight attracted the attention of television cameras and with that, the chance for publicity and huge donations. As they get larger, NPOs also look more and more like businesses themselves. In the past, such groups sought no profits, paid low wages or none at all- and employed idealists. Now, whole classes of them, even if not directly backed by businesses, have taken on corporate trappings. Like corporations, they attend conferences endlessly. Fundraisers and senior staff at such NPOs earn comparable wages to become non-profit companies or charitable trusts for tax reasons and they can control their spending and programmes more easily. This shows that the division between NPOs and profit-companies is long gone. It could be argued that this does not matter on the assumption that NPOs, which are losing their non-profit status and becoming just another class of business centres, may, after all, be turning more efficient than the old sort of charity. Perhaps, there are also problems. NPOs may be assumed to be less bureaucratic, and less corrupt than governments as they are not accountable to any one or subject to any regulatory measures, particularly in India. The researcher found that NPOs are often established to promote particular goals…rather than the broader goal of development. In addition, there were instances of several NPOs competing to work in the same area, leading to duplication of services.

In 2000, *The Economist*, which did an analysis on the growing links between NGOs, the UN and business wrote, "whatever big international NGOs do in the developing world, they bring in western living standards, personnel and purchasing power which can transform local markets and generate local resentment. In troubled zones, where foreign NGOs flourish... the local beggars do well, but discrepancies between expatriate staff and, say the impoverished local officials trying to do the same work can cause deep antipathy. Not only have NGOs diverted funds away from local governments, but they are often seen as directly challenging their sovereignty. NGOs can also become self-perpetuating. When the problem for which they were/are founded is solved, they seek new campaigns and new funds…"

Given the current interest on the topic, development financing and governance and the transitions within the globalisation form. This is a fertile period for learning on all sides and a propitious time for inputs from all sections. Non-Profit Organizations are concerned about the manner in which globalisation affects their productivity; communicating their experience to increase the resources that would contribute to sustainable actions. Therefore, there is urgent need for greater advocacy for the cause of development. We must build a culture of support for development among all the actors in the development field – not only the governments but also non-profit organizations as well. There are no easy or quick answers to the challenge of development. The long-term nature of development and its far-reaching impacts make it worth investing in thoughtful attention and sustaining development financing.

From the above it is been understood that financing sustainability and the non-profit mission require careful attention in the global environment in which the organizations operates and efforts to structure the resources to which they have access. The environment in which NPOs differ one from another encounter different expectations, opportunities and contingencies. However, the combination of all these factors creates a great variety of financing arenas for four type of organizations: corporate-supported social service organizations, health service organizations which rely on mixed financing including government grants and official development agency assistance, community development organizations which rely on donations and partially on a user-fee system and, income generation organizations which survive on community financing. Interestingly, each is characterized by a particular configuration of normative expectations between the financing sources and the recipients. In this context, the present study undertakes an in-depth analysis of NPOs dynamics in accessing financing sources and contingencies; the relation between complex paths and management burdens in securing the financing. Subsequently, sustaining the social development partnership and its benefits has been detailed in the following chapters, beginning with Chapter Three - Research Efforts and Orientation, that has been adopted for the study.

Chapter Three

Research Efforts and Orientations

Attention to non-profits' large and growing commercial activity is necessary because it highlights the difference between what society expects from non-profit organization and private firms, and the similarity in the financial constraints that they face. By focusing on the collective good the mission of non-profit organizations may well be incompatible with the instruments society wants them to use to attain those goals. At present, public policy is permissive in its regulations as they affect non-profits' access to commercial markets. However, the disadvantages of having non-profits act increasingly like private firms are considerable. Policy makers and planners need to understand how the ability of non-profits to achieve their social goals is related to their access to revenue, and more particularly, their involvement in service provision and income generation activities. The challenge for public policy may well be to find alternative revenue sources that would make it possible for non-profits to act less like private firms, at least in terms of their choices of outputs target populations and to concentrate more on their mission related activities.

On the other hand, sustainability has assumed a new and indispensable dimension in the projectization process. This is an integral part of organizational development, which requires secured resources locally, utilization of resources effectively and efficiently to meet the needs, and ability to manipulate the external favourable factors. This is the major challenge; how can this be done? The answer is not easily available in the literature since very little research has been done on the methodological aspects of sustainability efforts and financial management, especially in the context of non-profit organizations. In other words, sustainability cannot be meaningfully addressed unless financial management is in-built in organizational development. Sustainability of the benefits of a programme, however, is modeled as a product of a dynamic interaction between the organization and the community. At the same time, one should understand that achieving optimality is not a self-propelling process. The progress needs a vision and consistent efforts to break the barriers in the way. Specifically, sustainability requires non-profit and for-profit organization to attempt to move away from their original role of a provider, towards a role, which is more facilitative, institution-based, strategically broader and longer-term in the time horizon. Nonetheless, this chapter specifies the aim and objectives of the study, and the criteria by which these organizations were identified, describes the major source of data for documentation and provides a brief history and description of the participating organizations.

Aim

To examine the ways and the mechanism used to finance non-profit organizations and its behavior and how they are affected by the nature of this behavior towards sustainability.

Specific Objectives

1. To examine the interplay of non-profit mission and revenue sources.
2. To highlight the relationship between non-profit organization's social missions related activities and its ancillary activities.
3. To understand the inter-relations of non-profit organizations with other parts of the economic system are the differential constraints on them to donors and private enterprises and the differential goals.
4. To understand non-profit behavior and its differential pattern across the non-profits organizations as a whole but also for private sectors and,
5. To build a conceptual framework to learn about the non-profit behavior and its influence not only for the non-profit organization as a whole but also for private sectors for sustainability.

The study applies sustainability theoretical framework on organization, programme and financing pattern towards social development partnership in the globalization context.

National Trends and Issues

The overall pattern of growth and stability of the NPOs and its sector is difficult to determine because the sector lacks an adequate historical database. There are only limited national and aggregate level data available, no complete listing of NPOs, or even any agreement about how to categorize their activities or employ standard definition of such basic characteristics as financing sources. Data from originating sources and from recipient NPOs have major gaps and lack critical detail. That is, the case analysis focuses on registration based as they leave the originating source government grants and assistance, income generation, donations and corporate-supported organizations or as the streams reach the NPOs. Identifying organizations appropriate for the case study required me to specify in some detail the criteria to be used in defining the profiles. Because the study relied mainly on the Registrar of Societies, Delhi for selecting the study organizations, I used criteria that were available from information in this database. Making the actual selection of the organization from among the possible organizations presented some problems.

Given the symbolic, political, and economic importance of NPOs in India, the available databases are remarkably primitive and incomplete. Certainly, no sources provide reliable data on the volume of purchases that consumers make directly from NPOs as opposed to for-profit organizations. Businesses do not routinely track whether the services they purchase are produced by NPOs and for-profit firms. Nor do national analyses of financial flows to track the performances. Similarly, government also rarely distinguishes among profit and non-profit and other government agencies. Only the volume of donations has been tracked reasonably well over time from tax-return data. However, by definition, donations must be identified as such on tax returns to be included, and the data are therefore sensitive to tax policies and changes in tax regulations. Moreover, tax-return data may identify donations by source – individuals, groups, and corporations – but not by type or purpose of recipient organizations.

There are other problems as well. The surveys have at varying times excluded or included certain types of establishments with large numbers of NPOs (NGOs' Directory, various reports) – hospitals, educational institutions, income-generation based industries, etc. At times, the surveys have grouped certain types of governmental agencies with tax-exempt organizations. Data from tax returns filed by tax-exempt organizations are even more problematic and biased in favour of large establishments. Only a small proportion of tax-exempt organizations actually file returns. Many organizations are not required to file them: those with revenues below a certain amount, operating under religious auspices, or are covered under the returns filed by affiliate organizations. More detailed database exists for some NPOs for which specialized surveys have been conducted regularly over time. However, only those organizations with the largest and most institutionalized organizations have developed relatively complete and consistent databases. Other specialized surveys or surveys for research purposes – suffer from serious problems of sampling bias, geographical coverage, timing, and comparability of data collection instruments.

Organizational profiles and the selection

The changing nature and the complexity that exist in the processes make it difficult to capture them adequately in the cross-sectional approach. In addition to this, understanding the issues of sustainability in terms of finance, programme and organizational form affect the management strategies, I therefore rely on in-depth case studies of NPOs that differ along the four categories (see Table). Why did I choose in-depth case studies? In-depth case studies of an organization from each profile demonstrate these patterns in general better than would be possible in a large-scale, cross-sectional study. The use of in-depth case studies allows for careful attention to dynamic processes, and built-in comparisons among the study organizations and make it possible to examine the organizational environments, the process and strategies that an adopted in managing the resources, programme planning and cost-effectiveness, and the level, variations and degree of performance that reflect viable strategies adopted towards sustainability[1].

The Table indicates the studied organizational profile in terms of activities and funding sources. The study was primarily carried out in the Delhi region. The selection of the eight organizations was done by using the following criteria: [1] Major field of activity in social services, income generations, health services, community development, as reflected in mission and vision statement [2] Primary funding sources in the last five years [3] the performance of the organization in terms of achievement in their projects and [4] NPOs's acceptability, including sharing

[1] Sustainability has been referred to terms of organization, programme and finance in this present study.

financial statements for the past four years and their interest in participating in the

Name of the Organization	Government	Foreign Donors	Corporate Support	Community Contribution	Donations	Income Generation Activities
Social Services Organizations (SSOs)						
JYOTI Foundation	✔	✔	✔	✔	✔	
TRISHNA Trust	✔	✔	✔	✔	✔	✔
Income Generating Organizations (IGOs)						
SUR Foundation					✔	✔
SADHANA Center	✔	✔			✔	✔
Health Services Organizations (HSOs)						
AATMA Institute	✔	✔		✔	✔	✔
DAYA Trust				✔	✔	
Community Development Organizations (CDOs)						
UDAY Society	✔			✔	✔	
SAPNA Project		✔			✔	✔

study. However, the location criterion serves practical constraints but also ensures that the organizations share similar environmental conditions. The size restrictions eliminate important sources of management contingencies, especially problems associated with managing facilities, multiple sites, and complex division of labor. Large scale organizations were excluded due to their highly institutionalized and complex organizations, making it possible to manage extensive data collection procedures involved in the analysis and allowing for more direct comparison with other organizations. However, the exclusion of the small organizations such as community-based organizations ensures that the participating ones have survived the normal predicaments associated with being newly established, the so-called liability of 'newness crisis'. They are therefore likely to experience greater instability and to experience major threats to their survival because of otherwise minor changes such as staff or funding.

Table –3.1: Non-profit Organizations' Revenue Profile

To identify organizations with particular types of financing composition, I used data for the last four years beginning from 2000-2004 on total revenues and proportion from major funding sources as reported in 1999 to 2004, and in some cases, 2001-04.

The study defined primary reliance on public funding as 60 per cent or more in government grants and less than 10 per cent in community financing; primary reliance on mixed funding as no more than 15 per cent in fee income with the remaining funding split about fifty-fifty between donations and government grants and contracts; primary reliance on fee funding as 60 per cent or more in fees, services charges, product prices or similar commercial types of revenues; and primary reliance on corporate supports through donation or tax deductibility incomes as 60 per cent or more with remaining funding with other types of grants and assistance. The study had initially sought to locate organizations that received at least 60 percent of their revenues from one of the three funding sources; public, donations, commercial revenues and corporate social responsibility support.

To locate organizations with particular types of funding stability, I defined those with an average annual change in funding that amounted to no more than 10 per cent of prior years revenues over a four-five year period as having stable financing. Those with average annual changes in funding that amounted to at least 20 per cent of prior year revenues were categorized as having funding turbulence. It was difficult to locate community development organizations with funding histories that full of met the criterion of stable financing. However, some compromises were necessary, and the study has had to resort to the use of informants.

Sampling and Study Area

The information gathered from four types of non-profit organizations' set up:

(1) Organizations that receives support / funds from external agencies (including government and donors) for its activities and generates income for the organization

(2) Organizations that receives support / funds from individuals and does income generating activities for stable output

(3) Organizations (private firms) that run service provision (non-profit activities) for tax exemption

(4) Organizations (trusts) which invite voluntarism (including manpower, infrastructure, funds, equipment) and are doing income generation activities

* *Income generation through self-help groups, small savings groups, health services, education institutions, social-marketing etc*

In all two organizations are studied under each category of the organization setup. The study is basically carried out in the Delhi region as it has maximum number of non-profit organizations and private-firms- turned to non-profits.

Information gathering

The present study used a great variety of methods to obtain as much relevant information as possible from each selected organization. The study has analyzed a wide range of documents for as many years as possible - especially organization notes, annual reports, baseline and end-line project reports, audit statements and tax returns. In spite of some delays in securing the full cooperation of a few organizations, almost all provided full access to their organization files. The study also reviewed publicity documents, brochures, flyers and correspondence with donors. The most intensive work involved detailed examination of all documentation related to all grants and assistance, donations and community financing details that were active during the organization's work in the last three fiscal years. The data collection instruments/checklists were developed to ensure systematic and complete information on each financing patterns. The study also examined donor-recipient organization relationships, formal contracts and agreements and client documentation, performance financial reports, vouchers, payment schedules and site visit reports. Whenever possible, the study also examined monthly cash-flow activities and accounts receivable for the same fiscal year.

Interviews and observations

I have also interacted with executive directors, other key staff members, and, occasionally, board members in order to examine the organization's history, development of the organization, structure and culture of the organization, level of success and failure, cooperation with government and other organizations, managing funding relations, etc. The study also explored efforts to seek and secure different types of funding and assessments of these funding sources. The study asked about the amount and type of efforts involved in working with other NPOs, keeping informed about trends and developments, finding and developing staff, and developing the organization's structure and culture. As far as my knowledge goes, all key personnel I interacted with spoke frankly and, had knowledgeably addressed the difficulties they encountered so far including implementation and resource generation. This approach made it possible to document detailed changes in the organizations and their environment, and examine their efforts to develop, secure and manage resources. The sample of organizations is small, but carefully selected to allow for systematic comparisons with equal weightage to hundreds of decisions.

As a result, I have come to know them all well. I maintain sporadic contact with some, have sustained relations with others, and have become closely associated with a few. Due to this, I have had additional opportunities to observe how several of them fare in this particular financing arena. In order to help protect the identity of the participating organizations for reasons of confidentiality, I have changed their names and sought to eliminate very specific information about them. This is also the main reason why I have converted all financial data to constant (percentage). This procedure makes it possible to compare organizations and financial information across time without the distortion of cost-of-living factors. But, it obscures the current budget size of the participating organizations by deflating its value.

Sources of financial information

The study sought to develop consistent, complete and detailed financial data for the last five years for each organization. As noted above, the study used the original database to identify the organizations' financing pattern and its dynamics for the period of 1999-2004. However, the study analyses are based on audit reports, daily financial reports and donors' letters/agreements for the participating organizations. The resulting database is neither consistent nor complete and varies considerably in the level of detail.

Audit reports have greater levels of detail, but these may change over time and almost always differ from one organization to another. For example, some audit reports do not distinguish between programme service revenues from private sources and from public fee-for services or performance contracts. Some do separate indirect public support from grants and assistance, foundation grants and corporate donations. Because I wanted to examine more detailed sources of revenues, the tax returns have had low priority in the analysis. Some report all the gross revenues and expenditure from special events; others include only net revenues, and others again exclude certain types of revenue and expenditure associated with events.

Nevertheless, accounting procedures vary as well. The organizations differ in whether they report their finances on a cash or accrual basis. Under this practice, income and expenditure are recorded when the respective funds actually reach or are spent. Under the latter procedure, revenues and expenditures are recorded as they accrue to the organizations. Organizations also differ in whether they distinguish between capital and operating accounts. The latter difference complicates analysis of the financial conditions of the organizations that have sizable grants and expenditures for lengthy capital projects, as do several community development and income generation organizations. The study examined several options for extending the time-series for those organizations that had audit reports for only a limited number of years. I have also explored whether responses from the interviews could fill in some of the existing data gaps. However, the standard categories included in the original database did not match the great variety of reporting formats used in audit reports.

Moreover, even when comparisons were possible for particular years, responses to the study frequently deviated from the corresponding amounts listed in official audit reports. That is because discussions with participating organizations were to make out plausible reasons for their revenues or continuing with particular programme activities. In many cases, their estimates were off by more than trivial amounts. Because of these uncertainties, I do not use fiscal information from the original database, but rely on official information collected directly from the case-study efforts. In some cases, this strategy eliminates data for earlier years, but it allows for more systematic and verifiable analysis of recent trends. As a result of these efforts, I was able to obtain financial information on eight organizations for many consecutive years.

Problems with financing sources

The study encountered several problems associated with fees and donations. For instance, corporate supported SSOs appeared to use inconsistent definitions of donations and fees. The organizations were initially selected to represent the fees/turbulent profile, based on their responses to these three waves of data collected for panel study and confirmed from analysis of tax-returns. However, discussion with the Directors revealed that the programme receipts that accounted for all the turbulence were not in fact programme fees, but donations used to underwrite the major special events. Although most of the donations rely on special events as officially reported in audit reports, the organization does not agree that the special events are separate besides the donations. The clarity in the definition is questionable in these cases.

In addition to possible overlap between fees and donations, the analysis of donations is further complicated by the diverse ways in which organization separate or combine different types of donors in their audit reports. Some report all donations jointly; others provide detailed categories; most change them over time. The number and types of categories appear to reflect efforts to maintain continuity with past practices, to document special fund-raising initiatives and track salient types of donations. And, to document the amount and structure of administrative tasks involved in managing the grants and assistance, donations and community financing, the study examined in detail all the documentation each organization had on itself during the study period.

Organization's Profile

Health Service Organizations (HSOs)

AATMA Institute: It was founded in 1990 under the Societies Act, with the mission to empower the underserved and the marginalized individuals and communities in both rural and urban areas through a gender sensitive participatory process for achieving optimal and sustainable health and development. In the last 15 years, it had the opportunity to learn a lot from the communities that helped them to expand the scope of its work to include other development issues affecting health apart from health *per se*. This particular realization that health is not an independent parameter but dependent on a complex of socio-economic factors led the Society to work towards integrated development of women and children either directly or by establishing linkages with institutions doing so. In the recent past, the Society also realized that working with women and children alone is not enough to bring about the desired change. Family and community constraints that prevent women and children from receiving proper care need to be addressed. Realizing the inter-generational effect/impact, with passage the of time young people became the Society's important stakeholders.

This Society receives a mix of funding: grants, assistance, donations and community financing. The organization, which started with a handful of members, has now grown into a national level organization of technically sound and mutli-disciplinary professionals. The founder-member of the Society has been appointed as Executive Director since 1990. The Executive Director is responsible for the day-to-day management, policymaking and overall function of the organization. To assist the Executive Director, a team of professionals consisting of Director, Deputy Director, Assistant Directors and Senior Programme Managers are appointed to work at various levels. Besides, Programme Manager, Senior Programme Officer, Programme Officers, Supervisor and Community Workers are responsible for the filed-implementation of the programme.

DAYA Trust: The actions of great men are an inspiration and become a standard for others to follow. In 1958, the Trust established a clinic with the mission of "service to humanity". The tremendous popularity enjoyed and the public service rendered by this clinic in its infancy led to the other medical health aspects of development to inspired the renowned organization. Thirty–five years is a good time to take stock. After the teething troubles of establishing such a large institution by a single business family and the initial trials, tribulations and tentativeness, the pioneer in health and hospital care become a pacesetter in private health care. Not only that, it established an ashram for the 'terminally' ill, it also established an elders advisory committee to motivate and draw up plans for the future and lay down guidelines.

This organization is a trust-managed, autonomous, fee-for-service, not-for profit organization developed with passion and compassion to deliver affordable health care to the people. The organization recognizes that its central mean to success is the presence of more than 300 staff who have rendered meritorious services, more often than not, beyond the call of duty.

Community Development Organizations (CDOs)

UDAY Society: Formed in the year 1991 as a non-profit social organization to enable, guide and train slum dwelling communities to identify the problems/issues affecting their lives, mobilize community resources and motivate the people to solve their own problems. Due to the growing involvement of communities in social works, it became increasingly difficult for the Organization to keep the flock together without creating an independent and autonomous institutional framework for the community participation. The organization identifies community participation with people-friendly development approach for achieving the goals. Currently, it is addressing the following services: basic amenities like potable water, electricity, transport, ration cards, dispensary, schooling to children, etc. Last year, the organization entered the area of health. The objective of the health programme is to ensure that the poor people get subsidized medical attention as the government-run dispensaries do not suit them due to their working hours as well as due to the attitude of the doctors towards poor people.

UDAY administered 'rights-based activism' approach to strengthen and mobilize the community. Due to this approach, it has been selected as a 'resource center and field practice area' for the public distribution system to other grassroots organizations. It has been supported by grants and volunteerism. However, the government has given a rent-free building to this organization to perform its activities. The two founder-members of the organization are responsible for its day-to-day management. This organization has a small team consisting of Secretary, Executive Member, Programme Manager, and two Officers with more than 700 Volunteers who perform the role of implementation.

SAPNA Project: This is a Charitable Trust founded in 1975. Guided by spiritual leaders, the Trust is driven by the sprit of service to humanity. It strives to provide people, especially the poor and vulnerable, with opportunities and resources, so that they can realize their hidden potential. The Trust depending largely on donations started with a milk programme 25 years ago and has today evolved into a multi-faceted project responding to the varied needs of the poor and vulnerable, living in and around the Nizamuddin Urban area. Currently, the Trust runs a community health center, a crèche, a school, and vocational courses and income generation projects for the poor in this area.

The Trust believes in making optimal use of its scarce resources by linking up with existing facilities and programmes rather than duplicating them. The challenge lies in working hand-in-hand with other developmental agencies, including the government, and improving both the policies and the facilities for the poor. The Trust includes volunteers who give their time and support to the project. Nonetheless, the Board of the Charitable Trust was constituted in the year 2000, appointed an Executive Director to manage the day-to-day activities. To assist the Executive Director, a team of qualified personnel has also been appointed to work at different levels. The team consists of Directors, Project Coordinators, Supervisor and Community Workers to implement the Trust activities.

Income Generating Organizations (IGOs)

SUR Foundation: it began in 1999 with its focus on sustainable development. Registered as a society, it addresses issues involving the social and economic as well as ecological well-being of village communities. Outside India, the Foundation has focused on ecology and the conservation of plant resources. All work is carried out under the umbrella of the Foundation, based in the United States which, in turn, works through this Foundation in India. When the Foundation began six years ago, it was certainly naïve about the development issues facing rural India. It saw local communities with minimal income and resources trying to support a large number of people. On the one hand, poverty, on the other over-population. Reducing family size and increasing income therefore, could set the development train rolling. As the Foundation depends largely on donations that have been generated through livelihood opportunities, it made efforts towards integrated sustainable village development. This multi-disciplinary approach targets grassroots action-based on community mobilization and designed to put in place sustainable village institutions. Currently it serves in areas such as water management, income enhancement, family life education, communication, information technology, and rural health.

The goal is to ensure maximum community involvement and to lay the basis for continued sustainability. The village Gram Sabha and the Panchayat are involved in all decision-making. The Foundation also seeks the active involvement of government agencies. Nonetheless, the design, content and budget for all activities is the responsibility of the project leaders. They also ensure that the project implementation team has the capacity to carry out the programme. Specific projects are under the direction of 'Field Facilitator' and staff from the local area of operations. The entire team is responsible for community mobilization and training of village volunteers.

SADHANA Center, registered as a society in the 1980, has, over the years, come to realize that the poor face many constraints to overcoming their situation of economic and political deprivation. Apart from being deprived in terms of access to education and health facilities, they are also politically disempowered and socially fragmented. The Society's long-term efforts are directed to overcoming these multiple constraints. In the early years of the Society's existence the focus was on helping the poor become more aware of their rights and also encouraging them to acquire literacy skills. In the mid 80s, the Society also developed a health programme and a women's development programme. In the last decade or so, apart from helping the poor gain capabilities in terms of education, livelihoods, health and promoting gender equity it has tried to empower them in terms of their gaining social and institutional capacity for collective action. Given the fact that government is doing a good job of providing food for work, most of the Society's efforts were for improving livelihood opportunities for the families in the project areas, improving availability of basic amenities.

Primarily it relies on its own income generation activities as well as assistance from multinational agencies for its programme implementation. It serves in the area of natural resources development, education, health, strengthening livelihoods of village communities and, creating autonomous village level institutions and supporting organic leadership. The Chief Executive is responsible for the day-to-day management, while the President of the Society oversees the work. It has about 60 staff to execute various programmes at different levels. Besides, about 300 volunteers are associated with the Society and they believe in the society's empowerment work.

Social Service Organizations (SSOs)

TRISHNA Trust - About four decades ago, a private transport corporation had vision of establishing a social service organization to work for the underprivileged in the rural areas. Consequently, the Trust was established in 1962. The trust was basically rooted in the concept of charity. During the initial 15 years, the trust concentrated on 'service-delivery' to rural communities deprived of the basic amenities of living. However, in 1972, the Trust, which had expanded its wings across the country, started rural development activities with the vision of 'development through self-reliance'. The Trust forged into areas like health, education, natural resources management, drinking water, environment conservation, agriculture development, sanitation, infrastructure development, women and child development and empowerment of grassroots organizations. An important component of the Trust's activities was community participation in the development process. The resources for its renewed endeavors come mostly from the government. Nevertheless, to achieve the goal of self-reliance in rural development through genuine people's participation, the Trust began to rethink its approach. The move was towards complete empowerment of the community by enabling it to take the development process into its own hands. Moreover, the Trust is progressively evolving and increasing its capability as a support for people's organizations.

The Trust has invested in land, buildings etc., for running its social service activities. The income from these properties has progressively increased over the years. The Trust has also invested money in government approved bonds and fixed deposits to gain financial security.

The organizational structure is non-formal and not strictly hierarchical. Currently, the day-to-day operations are managed by the professional staff of the Trust, which totals to about 60 full-timers and part-timers. The different levels comprise the Project Manager who is in-charge of the village, Project Coordinator, Project Officer, Assistant Project Officers, Supervisors and grassroots level workers. Besides, there are about 600 volunteers who work at the grassroots level.

JYOTI Foundation: Established and promoted by corporate industries, the Foundation is a non-profit organization working for community welfare and development since 1980. The foundation has its presence in many the locations of the country. The primary objective of the Foundation is to take the rights-approach as integral to all programmes aimed at children, women and their families and to reach the un-reached. The Foundation is continuously enhancing and stretching the value of the rupee so to speak judiciously utilizing the resources, which in relation to the task, are meager. Encouraged by this response in the larger context of national goals on population stabilization, gender sensitization, economic growth, education and health, the Foundation has begun dialogues on these issues through sharing its micro-level field experiences to draw implications for building a macro-perspective. In understanding this task, the Foundation is treading the path of the mission in mobilizing, co-opting other including individual and organization to bring in diverse and creative actions for community development. Along these lines, the Foundation has acquired the status of a resource center, which strengthens the grassroots contacts with hundreds of villages through the cooperative efforts of people's organizations.

The organization strictly follows the corporate structure with the guidance of the Chairman of the corporate industries. However, the Secretary General and the Executive Director of the Foundation manage the day-to-day operations. Professional staff are hired for the various tasks to be carried out, such as human resources, finance, rural development, education, health, natural resource management and field implementation.

Thus, understanding the financing of the the non-profit' format requires careful attention to the environment in which the organizations operate and to the structure of the resources to which they have access. These are the critical issues needed to be addressed while analyzing the service mechanisms of NPOs and understanding the sustainability of the service delivery system. As the non-profit sector matures, it is inevitable that it would come under greater scrutiny from donors, academics, planners and policy makers. For donors it is all about how the programmes and wider their impact should be measured to assess their own performance. For NPOs, these issues transform themselves into institutional – ideology, structure and system, governance and strategic communication; programmatic – community participation, marketing and improving quality care; and financial – reducing costs and leveraging resources towards sustainability. A careful analysis of financing the non-profit sector and of the actual operation of resource relations at the organizational level, therefore addresses questions of significant theoretical and policy development towards a *sustainability theory* for social development partnership and its benefits.

Chapter Four

Structure and Management of Non-profit financing sources

The chapter discusses financing sources as an NPO principle. In part, that reflects empirical reality. What do NPOs think in terms of specific funding sources for their survival and sustaining the benefits? Focus on these issues also makes it possible to highlight and illustrate the intricate and highly diverse nature of the relationships that NPOs develop with different financing sources. NPOs differ in how vulnerable and how particular types of financing relationships are prevalent and fully institutionalized. Decline in the financing sources may disproportionately affect social developments and the intended benefits. This chapter describes the context within which NPOs' decisions take place and shows how macro-level trends manifest themselves at the level of individual organizations. It also shows the diversity within and among the study category NPOs.

Section One

Financing sources

The Table 4.1a shows that about 86 per cent of NPOs receive grants and contracts from government and ODA, about three-fourths (71%) of NPOs have some income from donations and about 57 per cent get community contributions. Interestingly, these three major funding sources have been sufficiently institutionalized in the last seven years or so to be come part of the standard repertoire of options NPOs have. However, with the possible exception of government grants, each of the three types also lumps several distinct sources together. Only donations from individuals appear to be shared among NPOs sufficiently widely (25 per cent in 2001 for SSOs to 50 per cent in 2001 for CDOs) to qualify as important on this criterion rather than obtaining grants at times. The analysis further reveals that social service grants (corporate, public and ODA), donations and, perhaps community contribution (including product prices from income generation activities) are significantly more pervasive among CDOs (97%) followed by IGOs (90-93%) and SSOs (70-78%) than among HSOs (49-59%). In the case of SSOs and HSOs, they receive revenues from their assets such as rents and bank interests which they made over the period of time. However, CDOs and IGOs rely mostly upon donations, grants and community contributions in the form of user fees and product price. In-depth analysis reveals that among the SSOs that are being supported by corporate/companies report for receiving donations and gifts for community or social developmental projects but they have been accounted as grants in the income statement. Similar trend has been observed for HSOs too.

Government funding for social services is both more extensive and more likely to be channelled through non-profit service providers such as social services and health services rather than community development that generally focused on income enhancement activities and/or are activism based. CDOs are more likely to have donations, since they formed specialized marketing strategies to attract individual as well as donors through special events like fairs, exhibitions, where they market their products or services. Moreover, these organizations are working closely with the community towards different social causes; donors who are interested in supporting such actions willingly have come forward to support their services.

Table 4.1a: Non-Profit Financing Sources, Case Study Organizations 2000-01 to 2003-04

Source of Financing	SSO			CDO			HSO			IGO		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
Donations	25.5	19.0	27.3	49.8	49.4	45.6	3.3	11.9	3.1	--	--	--
Grants	30.9	45.6	44.2	45.8	45.8	49.0	41.1	42.9	43.5	51.2	51.4	49.4
Community contribution	14.0	8.8	6.9	1.2	1.4	4.1	4.9	4.3	2.9	--	--	--
Bank interest	1.2	0.9	2.3	0.4	0.6	1.4	15.7	2.8	14.9	6.5	7.1	9.2
Other receipts	5.8	4.4	2.4	0.3	0.5	2.0	0.4	0.8	0.7	0.1	0.1	0.3
Endowments/dividends/share	0.6	0.1	0.1	0.7	--	--	10.0	12.4	7.6	0.3	0.2	--

Opening balance	0.1	--	--	1.4	2.5	--	--	--	--	13.8	6.9	7.3
Corpus fund	--	--	--	0.6	--	--	--	--	--	0.4	--	--
Building rent	22.0	21.4	16.8	--	--	--	24.9	26.4	27.5	--	--	--
Excess of income	1.1	--	--	--	--	--	--	--	--	--	--	--
Income Generation	--	--	--	--	--	--	--	--	--	41.3	41.5	41.2

This is followed by SSOs since they are larger and older (52.5% were established before 1975), their donors are corporate-industries and companies whereas 25 per cent of HSOs came into being before 1990 receive meager amount of donations. Similarly, most community contributors defined their primary purpose as supporting developmental activities as against their counterparts who concentrated only on income-generation activities. This shows that, in general, all study NPOs depend on particular financing sources to a significant extent. This is unlikely to lead to sustainability of the organization and the service delivery system or the benefits as well. At the same time, this type of financing sources increases risks as it limits the management to specialize on particular activities, keeping the organization away from developing diverse financing sources. Also it widens the extent of risk as developing diverse funding sources increases management complexity. The recipient organization requires different funding strategies and relationships. Candidly, complexity increases the skills of an organization to look for more financing resources and funding relationships.

Understanding Uncertainty towards Financing

The financing pattern also differed on a range of structural characteristics that are more difficult to quantify but nevertheless have had important consequences for organizations. Some donors fund only specific projects, refuse to fund overheads, and there are delays in decision-making and remitting funds. In addition, some donors prefer to provide seed-money for ground-breaking for innovative programmes with a clear rationale and limited time horizon. On the one hand, typically CDOs and IGOs are smaller (compared to social and health services organizations which adopt a consortium approach) and often work on tight budgets with small numbers of staff. Consequently, the grant application process places a formidable burden on these organizations. The grant-seeking process is a time-consuming and expensive one. The demands of grant writing and, increasingly, the expenses associated with providing evaluation reports require larger overheads and personnel related expenses that the donors seldom fund. The byzantine effort associated with obtaining grants favours only the larger established NPOs with a high-tech infrastructure. Most researchers on organizational environments argue that both instability and complexity contribute to uncertainty (Millikin,1987; McCann and Selsky,1984; Daft,1989; Gronbjerk,1993). Organizations, particularly community organizations with unstable funding sources, face greater management uncertainty. As we have seen in Table 4.1a, financing is not mutually exclusive but it shows that there is a need for heavy reliance on social development partnership.

On the other hand, although funding continuity and predictability do not ensure controllability, the reverse may also be true. Organizations that have leverage or power over funding sources are likely to be able to ensure the future receipt of the funding (funding predictability and continuity). This shows the management's ability for attracting finance and continuing and sustaining the programme activities. This is mainly true for SSOs rather than others. Most of the HSOs have fine-tuned their approach during the uncertainty period, but it limits their ability to pursue new avenues. In the case of community and income-generation organizations, instability had created uncertainty and imposed high demands on the management because of unexpected jolts or events: not being able to setup place their shops in time in the *mela*; no sponsorship available; entry and membership fees; and transportation costs. Sometimes, nature might play a role against their interest, rain may ruin the special events or man-made disaster might take place. This shows that all NPOs are required to make some efforts to receive financing though the type of work and the efforts might be quite different and they might adopt a pragmatic approach to sustain themselves.

Nature of Social Development Partnership

Describing financing in terms of its degree of uncertainty, complexity, and management discretion gives a more realistic portrayal of what NPOs are up against than simply showing their interest towards equipping service mechanisms and the associated economic importance. However, to understand why these conditions characterize a particular case of financing, the study found it useful to look more closely at the nature of the social development partnership between the sources and the recipients. Partnership is the vehicle through which financing achieves many of its key structural characteristics. The nature of partnership depends on how closely the partnership transactions take place between the NPOs and clients, as in the case of income enhancement to the organization. If NPOs are to alter these structural characteristics, they must pay attention to how and why financing is required, or the levels of partnership transaction the financing sources choose to interact with them. Only then do they have a conceptual basis for modifying their funding relations or financing pattern.

Income Enhancement

Almost all the studied NPOs were involved in one way or other in direct market transactions in terms of receiving bank interest on capital, returns on investment, rental income, and user fee charges as well as conducting income generation activities. The exchange relationships involved in securing these types of revenue have their well-established counterparts in the corporate sector from which NPOs may adopt a variety of marketing strategies. But, the degree of involvement and the level of capital investment vary. It gives a ray of hope to organizations continuing the benefits to the community, which is willing to pay for the services – i.e., community contributions. All the studied social services and health services organizations have access to the entire range of commercial transactions in structuring the social development partnerships. For instance, these organizations laid down user fee charges for receiving health and medical services and day-care services and received revenues through community contributions from income generating training activities such as tailoring, mechanical workshop, beauty parlour, etc. The fees and service charges may be insufficient to meet the full costs of providing the goods and services. The concept of social development partnership through user fee charges may involve fixed customer-based services, people who need the services on a continuing basis for a certain period of time and with whom the organization has developed an informed relationship, as in the case of day-care services, health services and training activities. Organizations face the problem of finding a constant stream of new customers to replace those that have received the services and needed them no longer.

One of the SPMs in AATMA Institute stated,"... we receive user fee charges from health centres and from income generating training activities such as tailoring, mechanical workshop, beauty parlour, etc. Disabled individuals also make greeting cards, folders and file covers that have a good market value..." It has been observed that about one-tenth of the total income of the organization is contributed by the community in the form of user fees and saleable products. However, it looked out for alternative strategies to retain the clients and to increase the community contribution, as a means of sustainability.

At the same time, income generation organizations and community development organizations engage in similar practices, but for different reasons. They deliver the resources, product or service for which there is a market demand among consumers who, in turn, are willing to pay the organizations to meet the demand.

Executive Director, SAPNA Project stated, "...to help women augment their family income and improve the quality of their lives, we run a women's unit where they are trained in marketable skills, such as sewing, tailoring and embroidery. They make a range of products like cushion covers, dolls dresses, bags and scarves that have a good market..." The craze among the customers especially foreigners is, for the unit's products. The Project stressed on increasing the product range and introducing new systems, which would make the unit sustainable.

Program Manager, SADHANA Center says, "…we make chairs and tables which is slightly costlier than the market rates…people buy because it is made by under-privileged or marginalized community…whatever incomes we gain from this activities, we expand the capital for re-investment…"

For instance, one of the Programme Leaders in SUR Foundation said, "...we tested various market strategies like vermi-composting, cultivation of medicinal plants, fodder, linkages with Mother Diary, and marketing agricultural products through village committees and individuals. Companies who get influenced by our strategies and services come forward to support us..."

The above case studies show that income-generating organizations are expected to invest the capital so as to maximize investment and market flows.

Further analysis of data revealed that SSOs and HSOs engage in commercial transactions with institutional investors such as banks, mutual funds, share markets and real estate developers. Most of the case-study NPOs received investment income of this kind, but not to any significant extent. However, half of the SSOs had real estate property that provided them with rental income, accounting for nearly one-third of the required financing to carry out the services and sustain them.

Programme Manager, TRISHNA Trust says,"...major part of our finances are from the rental income and the interest earned from fixed deposits..."

The head of the organization initially bought a building (in the year of 1970) to manage TRISHNA Trust's activities during uncertainty. It was purchased mainly to utilize the rental income for the activities of the organization and the income has been progressively increasing over the years. Besides, the organization also invested money in government approved bonds, purchasing lands and buildings, and creating other assets to gain financial security.

Overall, NPOs make use of such commercial strategies to sustain themselves and the service delivery as well, but they are not fully confident about their abilities to do so effectively. Transactions with (fixed) individuals, on the basis of user fee charges, are likely to be more fragile than those with organizations who have got capital investment, because the latter involve more contractual forms of decision-making strategies. Organizations, particularly IGOs, seeking proceeds from special events must understand and cater to entertainment concepts of celebrity status which are likely to be unstable over time and to vary from one individual to another. In our interactions with consumers or the target population, they expressed concern over the excess charges involved while a few viewed it as just another form of donation.

Expanding Emancipation of NPO Mission

NPOs receive tax-deductible donations from individuals and organizations, and their goals have sufficient public value such that they are exempt from taxes and gain from a variety of economic incentives. A high proportion of NPOs rely extensively on donations. However, in spite of the widespread contribution of donations, no single type of donor dominates the financing pattern.

About a half of CDOs and HSOs receive donations and gifts from individuals and organizations whereas SSOs and IGOs are dominated with grants and assistance from corporate sectors and others. Though IGOs and SSOs receive community contributions such as user fee, service charge and product price, they did not account the same against donations and henceforth grants accounted high among their income. Moreover, donations did increase for SSOs (25% in 2001 to 27% in 2003), but not as much as grants accounted for (31% in 2001 to 44% in 2003). CDOs show a decline of about five per cent in the aggregate donations though it reflects in increase of about three per cent in grants (Refer Table 4.1a). In the case of HSOs, the focus has been laid on escalating public grants and assistance than on increasing community contribution or donations. (See Figure 4.1a -4.1d).

Fig 4.1a Major Financing Sources of SSOs 2000-01 to 2003-04

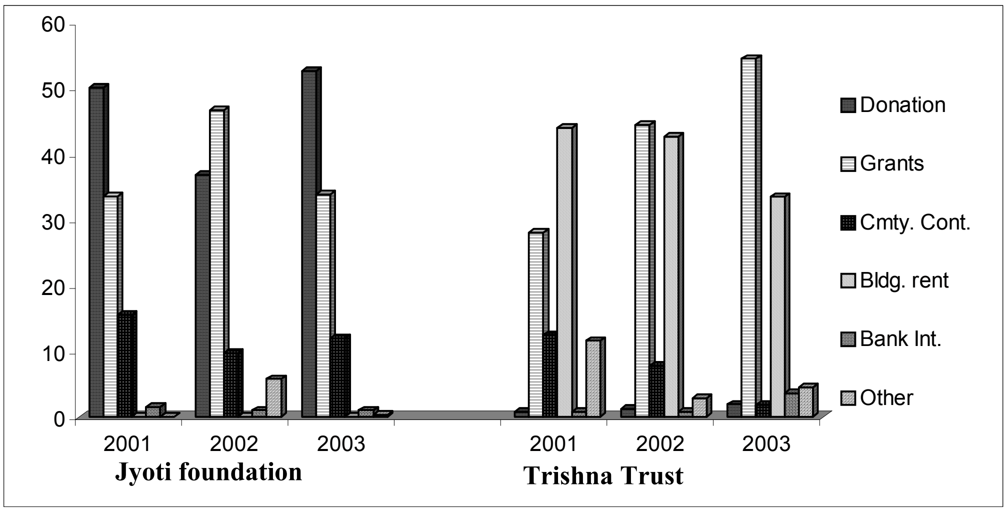


Fig 4.1b Major Financing Sources of HSOs 2000-01 to 2003-04

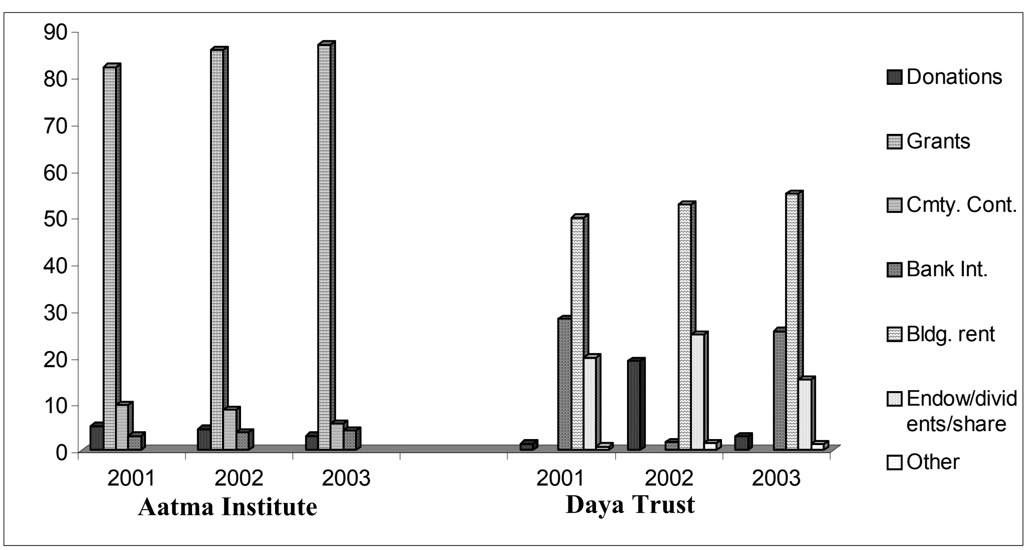


Fig 4.1c Major Financing Sources of CDOs 2000-01 to 2003-04

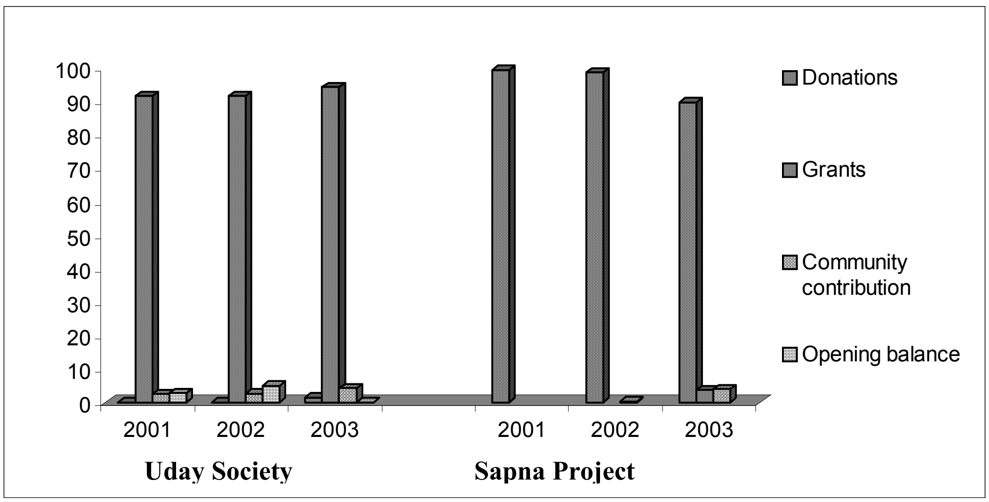
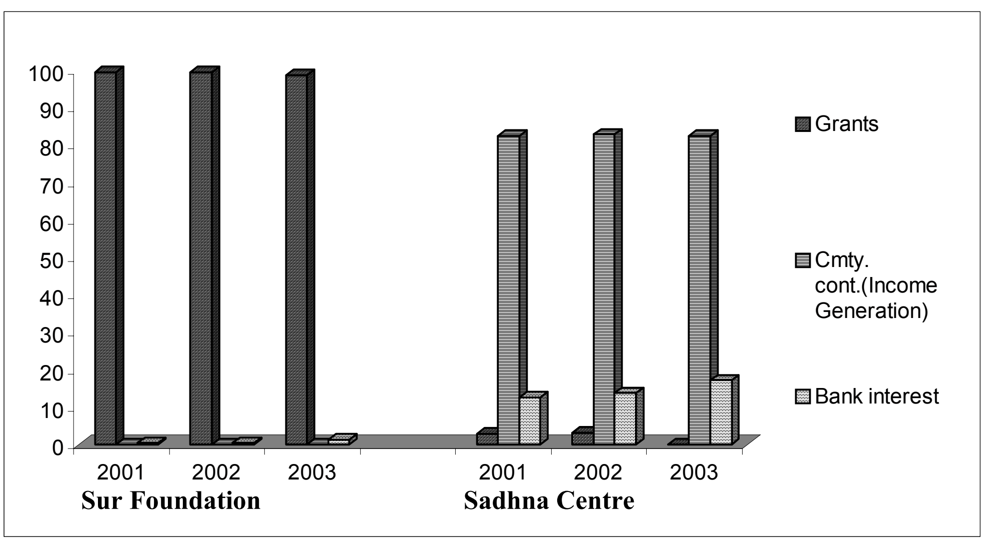


Fig 4.1d Major Financing Sources of IGOs 2000-01 to 2003-04



Both SSOs and HSOs are trying to tap maximum public grants and assistance while they also invested in building, approved bonds and revenue generation activities to secure their financing. Thus, in general, SSOs and HSOs are losing ground in securing their share of donations, especially during later 1990s. In contrast, IGOs receive significant contributions from individual and company donations by sale of products and performance of other special events but they do not account them as donations or community contribution in their audit statement.

The above discussion thus suggests that all NPO categories have been vulnerable to change in response to the market forces and change in the socio-economic trends that either threaten the overall level of donations and/or affect donors of particular interest to them. In addition to this, I suspect that the change in the overall philanthropic donations is accounted for by changes in individual's donations, and by growth in donations to religious organizations, especially in recent years. It could be that religious organizations promote a wide variety of advocacy issues, from health, prayer, orphans, the aged, the disabled, medical services and environmental conditions to individuals and appeal to them on the basis of ideological beliefs. At the same time, the direct involvement by political leaders and religious gurus in many of these issues has given salience to these issues and visibility to the advocacy groups, and in the process has galvanized the support for the groups.

In SAPNA Project, it is observed, "…donations are mostly received from the followers of the founder, a religious teacher, throughout the year and funds flow through trustees who are based in Germany/US...Most of the foreigners (America and Europe) became followers and they frequently visited the trust and donated regularly..."

In India, in the recent past, conversion, particularly that of Hindus to Christianity has become a moral issues. It is believed that Christian Missionaries support the poor only after conversion. In my experience working with Christian Missionary support Research Institute, I found that this is true. Surprisingly, when the conversion issue blew up, immediately, the Research Institute stopped doing it directly. They changed the strategy of conversion. The Hindu name is retained, but officially, the individuals are converted to the Christian faith...

"…Hindu religious groups are fighting back by efforts to convert those individuals back to their original religion by providing the social services for which they have been converted..." Says Secretary to a Religious Based Institute.

On the other hand, an NPO that seeks donations from individuals and/or organizations emphasizes its support for a particular social action because that distinguishes it from other organizations that also seek donations. The opportunity to affect social action in a particular direction is a powerful incentive for some donors and may result in the organization's being co-opted by them. This type of specialized strategies make it possible for the NPOs to expand the range, quantity and quality of services beyond the levels that their own income enhancement activities can support. However, subsidy revenues separate customers from clients. The customer – donors who play a critical role in delivering specialized services do not directly consume the service and rarely even know the client who does.

One of the SPMs at AATMA Institute stated, "...we receive funds to run the health clinics and the medicines are supplied by a private corporate donor...".

Although AATMA Institute did not invest any additional resources in these clinics, the health services are not provided entirely free and the community is nominally charged for utilizing the services and they are not aware of the donors who actually delivered the medicines.

The Head of the organisation, UDAY Society says, "...we are keen observers of the Policy environment and always bagged rights based activities...although we receive funds with different intentions we actively involve ourselves in consumer protection activities, including the Public Distribution System, information *melas*, Right to Information Campaigns, open air theatres, etc..."

In TRISHNA Trust, "...community contributions formed our core strategy in all activities...under the rural infrastructure project we laid roads and constructed *kunds* and wells with the support of a German agency...the community also contributed in the form of labour..." says the Project Officer. Although the project cost was supported by a foreign agency, the community did not know about the donors who had played a critical role in their development..."

The above case studies reflect the efforts to satisfy clients and fulfill their needs and demands but do not necessarily satisfy customer needs and vice-versa. But, all individual donors expect the recipient organization to use the funds responsibly and for appropriate purposes. Our interaction with the heads of the organizations showed that individual donors tend to be, in general, repeat donors as they are likely to believe that the condition of trust still holds. However, there no additional efforts are being made to increase the individual's contribution. Because of that, the organizations rely heavily on contacts with potential donors, attendance at special events, membership in the personal networks of boards and affiliation with the organized constituency.

Executive Director, SAPNA Project says, "…we started generating our own funds through user fees (health centre), school fees, creche, fund raising projects like greeting cards, recipe books marketing, consultancy work, etc…"

Though these events invited donations, no efforts have been made in particular to increase or promote donations and contributions because of its board's strong affiliation and association with foreign embassies and funding agencies that provided assured support.

Executive Director, SUR Foundation stated, "...all development-oriented activities are carried out under the umbrella of the Family Foundation... individual donations from Indians based in the US/abroad and membership fees get pooled or accumulated and are released as grants/aids to the Foundation...". Moreover, board's association with external agencies and potential donors eased the smooth flow of funds to the organization.

Executive Director, JYOTI Foundation says, "...closer association with corporate bodies, multinationals and business houses assured flow of funds for our operations...for the last one and a half year there was no inflow of funds. So, we look for more corporates to sponsor us...and, some times, the cost will be recurred from the corporate-donors..."

It has been observed that Foundation promoted Corporate Social Responsibility through business strategies and could gain the support of corporate bodies and multinational companies in the form of grants.

Moreover, many study organizations stated that there are some advantages to seeking donations from institutions and organizations rather than individuals. Potential donors are not many, but they are more likely to control large amounts of resources and require recipient NPOs to exhibit specified types of organizational behaviour, particularly utilization of funds as a condition for making the donation. From my observation from the study organizations and experiences from this sector, I understand that institutional donors expect to receive standard protocol, which contains how the donation will be utilized, specifying the activity for which support is being sought, and responsible persons for execution, including submission of financial statement with update of programme activities. This highly imitates the social development partnership that is less likely to reflect direct financial interests because these donors are themselves NPOs and therefore are not subject to tax incentives, thus removing one of the major financial inducements. Conversely, almost all NPOs expressed concern over continuity of the support in the form of donations whether it is individual or institutional. They also tend to be time limited and involve considerable uncertainty over social development partnership.

NPOs' Mission Over Public Mission

ODA and government grants are even more explicit in making social development partnership in a variety of service fields, although not continuously or persistently. Candidly, NPOs fulfill the government mission and vision of social action benefits and complements the public policy. Though there may be some conditional agreement with regard to utilization of funds, in particular locations, specified targets, designated periods of implementation, being subject to monitoring and providing some level of technical support it supports the expansion of the services in terms of quantity and quality. Since independence, federal policies have encouraged financial transactions between NPOs and government and consistently allotted budgets to NPOs to support public policy missions and vision (see details in Chapter-1). Since then, the system of grants and contracts between government agencies and NPOs has become extensive and fully institutionalized and public grants and contracts have come to be the single largest source of revenue for NPOs till early-90s.

Executive Director of SAPNA Project says, "…we would like to increase the Indian grants…there is much more to be trapped…" Although 'project based' activities are not in the organisation's mainframe, efforts have been taken towards increased partnerships with government and foreign donors to achieve a paradigm shift from philanthropic activities to activities through government grants and ODA.

Figure 4.1a-4.1d shows the prevalence of government grants and assistance and their level of contribution to NPOs. For more than two-fifths (43%) of the study, NPOs are receiving public funding while 50 per cent of IGOs and CDOs do not want to receive government grants as they are conditional. Another reason is the government mission does not match the NPOs' organizational mission. While increasing participation of powerful interest groups in the political process through political action committees, lobbying efforts probably account for little in securing government grants.

"…we don't encourage public funding to our organisation due to the associated procedural constraints in the process…Our mission and integrated approach does not suit the public financing environment…" stated Executive Director, SUR Foundation.

This explains why the NPOs looked for ODA rather than for public funding. Moreover, with strong financial back up and sustained potential donors the organisations looked for enhancing alternative forms of financing to deliver their services.

Interaction of the researcher with the Head of the organisation, UDAY Society revealed,

"...Government activities are fixed and there is no freedom for innovations and experimental ideas…"

This shows that NPOs faced difficulty in receiving public funds and were uncomfortable in utilising it as there is little freedom for spending the money and it is time consuming.

The above case studies hint that regarding constraints in securing government grants though SSOs and HSOs, probably they did not experience major reductions in their financing but, rather, experienced a lack of growth and an erosion of purchasing power. In addition to this, many NPOs complained that government grants do not come in time and one needs to take a lot of corruptive measures to secure funds. The Five-Year Plan data shows increase in the budgetary allocation to NPOs for implementing public mission (Chapter-1). This declining interested in securing and/or receiving public funds is reflected in approaching ODA directly. Since then, fragmentary data suggest that ODA for NPOs has increased. However, more recently, the government started objecting to direct ODA funding to NPOs. ODA are, in general, "cherry picking" specific parts of the projects and ignoring the rest; selective grants means following their programming preferences, guidelines and expectations; and picking project-based approach on their preferences for particular groups or particular types of activities at the expense of equally worthwhile projects that are incompatible with government requirements. On the other hand, government does not like outsiders' to interfere directly in its domestic affairs. At the same time, reliance on outside funding encourages formulaic approach and discourages experimentation due to the fear that novel approaches will not be understood. Nevertheless, at some point, NPOs in the subcontinent have to be evaluated to see whether being dependant on foreign funds is a sustainable situation and whether alternative domestic private sources of funds should be explored.

Moreover, the welfare services targeted at the poor accounted for 40 per cent of the total public funding in the Tenth Five Year Plan, although it was about 16 per cent in the First Five Year Plan. However, all study CDOs and IGOs are receiving most of their public funding from the slowest-growing component of public welfare spending compared to SSOs and HSOs who play the role of "Resource Center" and support this kind of CDOs and IGOs in their project area with the support of government grants. Public spending for social development partnership and support for CDOs and IGOs has seen much more drastic changes with a variety of service components and constituted a new source of funding for them. This reveals that a range of innovative funding sources of particular interest to CDOs and IGOs have come into existence under the sponsorship of local governments.

"…AATMA Institute and TRISHNA Trust have become Resource Centers, providing inputs and training to other NGOs for implementing reproductive and child health programmes. Through this status, AATMA Institute and TRISHNA Trust generate income for their organizations…"

"…we have been working in the slum area to sensitise the population regarding their rights that are due from the Public Distribution System and have become field training centre for other institutes...because of this the State government has recognised us as a training institute for the Public Distribution System and it generates income but we have lost the community contribution..." says Head of the organisation, UDAY Society.

Over all, in the case of grants, the NPOs agreed to perform specified tasks and were willing to be subject to monitoring, whereas donations do not specify the action benefits. However, each of the financing patterns promotes social development partnership to some degree. Even if financing originates with individuals, community contribution, and attendance at special events, the relationship adheres to institutionalized procedures for securing the funding – that is use of recognized techniques towards social action benefits for building donor commitment to an organization.

Section Two

LEVERAGING SUPPORT PROCESS

Trends in Financing Patterns

The available financial data of the study NPOs illustrated long-term trends in community contribution such as user-fees, service charges and product price, which are increasing year after year. Except IGOs, which have adopted a market-based approach in fixing the service chargers, user-fees and prices of the products, the rest of the studied organizations adopted a subsidy-based approach. However, the history of community contributions varies from one organization to another. A sizeable number of the studied organizations were initiated as early as in the early 1970s. This shows that community contribution is a recent phenomenon, which has been echoed after the initiation of globalization. The renewed focus on community contribution and how sustainability can be achieved is driven by two important changes. First, donor funds or grants, both for developmental activities in general, have been shrinking. Second, at the same time, the number of NPOs has grown. Naturally these two developments have led to fierce competition for the limited financing. Issues of sustainability have come to the fore. NPOs do not want to find themselves at the mercy of donors whose limited funds and changing priorities can play havoc with the NPOs' control over their programmes. And, communities want consistent, enduring programmes that address their needs as well as those of the donor. NPOs' desire for independence has led many organizations to seek alternative support as a means empowering the organization and the communities they serve.

For instance, only IGOs have tried to establish a for–profit subsidiary during the 1990s. According to them, the contribution is defined as donations. In contrast, all other studied organizations, adopted a subsidy-based approach for community contribution, and instituted new or increased fees and service charges by 10-15 per cent during the last four years. For example, SSOs have registered community contribution at 14 per cent in 2001, followed by HSOs with 4.9 per cent and CDOs with 1.2 per cent. This trend has been revised in the current financial year (2004). Indeed, increased or new fees, adjusted for inflation, and services increased by 3 per cent and added 0.5 times of the aggregate income of CDOs during 2003-04, compared to SSOs and HSOs which showed a declining trend during the study period by 6.9 and 2.9 per cent respectively (Refer Table 4.1a). This shows two contradictory issues. First, increase in aggregate income through community contribution does not mean increase in the customer or client base. It could be that increased fees or service charges, on the other hand, might have attracted customers or clients to think of quality services, which are available in the competitive markets for the same fees or services charges. Second, increase in the fee or services charges might show increase in the aggregate income without increase in the customer or client base.

Chief Administrator, Daya Trust says, "…our health services are sustained through user fees…everything is charged nominally in order to survive and sustain. One has to charge for services and community contribution is gradually increasing…"

However, the increase in the community contribution in the form of user fees is not due to increased patient inflow but due to the revised user fee structure to compete with the outside market.

Interaction with the staff in AATMA Institute revealed, "…due to increase in patient load in health centres, user fee structure has increased…but, it does not suit the pockets of community. Hence the patient inflow has declined...".

Although the patient inflow has not increased, the contributions i.e. user fees have remained the same and was adjusted with the higher fee structure.

In-depth discussion across the study NPO categories showed that SSOs and HSOs in particular have long endorsed the requirement that clients or customers pay a fee or service charge even if it is just a token amount for the services received. They have argued that the payment of fee or service charges accounted against community contribution serves important therapeutic functions, because only clients or customers who are committed to accepting the professional services (for example, training) are likely to obtain full benefit from the services received and value the same.

One of the Project Directors in SAPNA Project stated, "…we offer training to students, adolescent a token amount girls and boys in computers, beauty culture, cookery, embroidery, and car driving. They pay for our training…".

The organizations considered the income through these training programmes as community contribution where, as the clients who valued the organization's services, paid for the services they received.

Other indications included the numerous manuals, guidelines, reports and articles that encourage NPOs to explore earned revenue options. Most of these materials have appeared in the last five years, suggesting that a growing number of professionals have recognized the opportunities for advising NPOs. Whether earned revenues have actually increased or due to globalization, the market forces have increasingly infiltrated the NPO sector to legitimize their pursuit of market transactions. These factors are likely to increase the aggregate income across all the studied NPO categories, though not to any significant extent. This earned income is generally recorded under the category of 'other receipts' or 'miscellaneous income' in the NPOs' financial report or audit reports.

The above case studies illustrate that customers or clients who are willing to pay fees or service charges serve the obvious function of confirming that they find the NPOs' services and the organizations of value and utility. Many researchers have found this as rewards to NPOs and their staff while a few states that NPOs could find some alternative sources of financing. Some may pursue such clients to the point of disengaging themselves from the poor, because low-income clients cannot pay much and have complex problems that are difficult to serve effectively.

On the other hand, the pattern is more complex for IGOs. Many IGOs that instituted user fees or services charges or product fees on par with the market prices, generally do not have membership structure, and view the pursuit of paying fees as a legitimate purpose. According to the IGOs, the clients or customers are committed to self-improvement and proved their involvement in social action benefits.

Programme Manager, SADHANA Center said, "…we develop partnerships with the outside market through which we manage sale of handicrafts produced by our community...we also link them with the State government while conducting fairs and exhibitions…".

This shows that the established linkages offered good market value for the handicrafts of the community and the organisation could capture a wide share in the profit in the form of alternative revenue for its sustainability.

In SUR Foundation the Programme Leader, Income Enhancement, stated, "…we have formed 'Farmers' association' at the village level and it has been linked with 'Mother Dairy' – a government body with which sales contracts are directly negotiated…".

Raising the income level of the villagers has been assured by increasing productivity and well-established market linkages have helped SUR Foundation to capture a greater share of the end consumer price.

Executive Director, SAPNA Project says, "…we have linked our women's group with the outside market to get good market value for their products and more market demand…".

Though the products are not cheaper than the market, more customers or clients purchased them willingly to help the poor community and those who are in real need. This also indirectly supported the organisation's services.

In addition to this, the above case notes add that IGOs have developed social development partnership with local business and industry houses, at times involving government units as active partners. In some cases, the result has been the development of formally incorporated joint ventures between for-profit establishments and IGOs with the latter receiving a share of the profits. Economic liberalization and changed market strategies have eliminated redlining, and have opened up additional market niches and sources of financing for IGOs.

In contrast, SSOs and HSOs though developed social development partnership, but do not link the community with the outside market directly and helped them in marketing the products.

One of the community members said, "…TRISHNA Trust has formed an association in our village to sell milk in the co-operative society. However we, the milking community, are not involved in fixing the price for milk. Trust members directly deal with the Cooperative...".

This shows that the organisation is not interested in giving the market to the community and wants to have a hold on the resources.

Special Events

Special events are widespread among the types of activities in which NPOs normally engage. About 53-58 per cent of IGOs, 28 – 31 per cent of SSOs and 17-18 per cent of HSOs and 8-10 of the CDOs reported income from a combination of special events and other sources in the last five financial years. The NPOs that were established before the 1990s have been trying to raise funds from special events such as celebrity visits, health melas, health camps, taking advantages of festivals and functions, etc. and specified that they were/are planning to continue them as part of the resource mobilization process. However, the actual prevalence of special events is not well-established among the NPOs.

Chief Administrator, Daya Trust stated, "…we organize free cataract camps and general health camps, distribute medicines to leprosy patients and a number of individual and other companies sponsor us for this...Moreover, the organisation is also running an ashram for Cancer patients, which has also helped in gaining donations from potential donors, celebrities and other agencies who are interested in donating for a social cause…"

"…organisation of events like Health camps, *Melas*, Summer camps and Beauty culture workshops for adolescents could involve inviting celebrities, local bodies and other donors who get impressed with our services …" says the Director, AATMA Institute.

Executive Director, JYOTI Foundation says, "…we organize art exhibitions and fairs where paintings made by children are displayed…visitors across the world have got attracted and offer huge amounts for the paintings…".

Marketing strategies such as celebrity visits, fairs and exhibitions, corporate body meets etc helped JYOTI Foundation in trapping corporate and business bodies' support to sustain its activities.

This is because a separate financial column has not been identified for the extent to which the organizations engage in this type of activities or about the amount of revenue they generate(d). However, gross revenues would provide a better indication of the scope of the activities in which NPOs engage and their contribution to the aggregated financing pattern. This is because the Indian National Accounts System recognizes primarily two sectors namely – public and within private; business enterprises and households. It does not have any category or sub-category for the NPOs within the private sector (for detailed discussion see the section "Conceptualizing the NPOs" in Chapter-1). Being not-for profit may mean that the

NPOs are located in the household sector in India. So, absence of Indian National Accounts System, particularly as a category, prevents our using the definition.

Section –Three

FINANCING THROUGH MARKETING

Community Financing

Community contribution in the form of user fees, service chargers and product fees are an increasingly important source of financing for sustaining the benefits. It is not surprising that fees should be attractive; after all. Given the preponderance of commercial organizations, that is how most organizations obtain their revenues. Indeed, commercial organizations' entire financing pattern is structured so as to promote and support the generation of earnings. However, NPOs typically are established to pursue substantive, value-directed goals, not commercial ventures. Community contribution is therefore an important factor that shows significant contribution to NPOs' growth. Nevertheless, understanding the market niches, the strategies adopted, maintenance of the relationship with the community, and contingency plans for generating community contributions in the form of user fees, service charges and product fees is vital.

It is understood from the study that community contributions are attractive because they maximize management discretion over the allocation of staff and other internal resources. The study used the last five years' financial data to compute the charges, to know the magnitude of the contributions and understand the direction of change. Even so, it is difficult to get good, consistent information for individual NPOs, because audit categories and accounting procedures are not the same for all. For example, only HSOs reported user fees, service charges and product fees as community contribution while the rest of them included under them or mixed with the donations category.

According to Gronjberg, "in the social service and community development fields, these decisions occur in an environment of uncertainty and lack of control over important aspects of the resource relationships. In both of these fields, markets are relatively fragmented and not highly institutionalized". The analysis shows that NPOs are having high-level access to or control over resources, including selecting the type of services, structuring the fees and developing a market niche, but they have less control over the supply-demand chain relationship of their clients.

Executive Director, SAPNA Project says, "...community contribution is a supportive hand when we face uncertainty. However it is difficult to ensure continued community contribution as newer clients have failed to approach us..."

This shows that the organization could not generate demand in the local population while offering services and controlling other resources.

One of the SPMs in AATMA Institute stated, "...under the adolescent project, we created adolescent centres in the villages but the community did not turn up...though we designed effective strategies, invested a lot and employed staff in the centres, the community did not support us, as they did not perceive it as a need...". This shows that organisations have control within a short radius but not on the clients who utilise their services.

"SUR Foundation ...introduced 'vermi composting' in their villages to support their income but it was not the demand of the villagers. Hence, it was not appreciated much and promoted by them..." This explains why organisations make sudden decisions to adapt marketing strategies during uncertainty whether it generated demand or not and thus end up losing their grip over the community.

The above case studies reveal that the NPOs are not very familiar with community contribution or adopting different strategies as per the market needs. They are likely to look to self-generated sources of financing when other resources are unpredictable, difficult to manage or just thought to be so. Almost all study NPOs expressed the view that fees are flexible in how and when they can be used. However, only a few NPOs (23%) agreed that it is easy to administer and account and allows the NPOs (46%) to develop new programmes that are really needed. On the one hand, an overwhelming proportion of study NPOs felt that adopting this type of strategy won't dilute the organization's mission and vision. More than two-thirds (69%) opined that community contribution does not force the organization to serve the clients or customers where they have little experience or they can't. On the other hand, slightly more than half (52%) viewed community contribution through marketing strategies as enabling the NPOs to sustain the benefits to the community and hence worth pursuing. However, almost all the study NPOs uniformly felt that it is very difficult to rely on the contribution for long periods as it requires competitiveness and assessment of marker forces on a day-to-day basis, which the NPOs mission can't afford.

Moreover, all the study NPOs agreed that they do not have adequate resources to analyze the market and that the type of services they provide for fees are not well established. This is because the clients or customers who show interest in their services tend to be individuals in small numbers. For instance, with the exception of few SSOs, HSOs and IGOs, user fees, service charges and product fees (including special events) accounted for only a small proportion of the total financing (see Table-4.1b).

NPOs that have registered under 'Trust' category, at times equated their mission with their market niches. They have undertaken a range of efforts to exploit the changing situations in their particular services as in the corporate culture. At the same time, they provided services to the poor with minimum fee structure, while serving the elite and corporate groups showed their affirmative action. Furthermore, the individual NPO category analysis show that HSOs have gained 30 per cent financing through community contribution, (some accounted as service or consultancy charges) compared to SSOs that reported only 7-14% followed by CDOs

(1- 4%) during the study period. One of the HSOs found to be receiving 50 per cent of its income purely from user fees. This is mainly because HSOs targeted the low-income clients and secured fee-paying clients or customers. In the case of CDOs and SSOs, the community contribution has been registered less and this might be their focus and efforts are on special events, donations, and grants in generating income.

One of the Programme Managers in SUR Foundation said, "...we have linked local farmers with the Mother Diary for good market prices...and we are trying to involve them in cultivation of medicinal plants which may yield a good market value..."

This reveals their interest in pursuing more market linkages for their sustainability in the name of economic advancement of farmers.

Programme Manager in SADHANA Center stated, "...we have good market value in the outside market for the chairs produced by the community and in the near future, we look for more such associations with industries for our products..."

Project Director, Health, SAPNA Project says, "...we look for generating our own funds through grants and potential donors rather than looking for the community's support...to expand our area of operation...".

This lays stress upon making more efforts towards developing and expanding the market for its services, as there is no continued demand from the community.

Table-4.1b Funding Prevalence and Dependence for Non-Profit Organizations 2000-01 to 2003-04

Financial Year / Sources of income	SSO 1 2001	SSO 1 2002	SSO 1 2003	SSO 2 2001	SSO 2 2002	SSO 2 2003	HSO 1 2001	HSO 1 2002	HSO 1 2003	HSO 2 2001	HSO 2 2002	HSO 2 2003	CDO 1 2001	CDO 1 2002	CDO 1 2003	CDO 2 2001	CDO 2 2002	CDO 2 2003	IGO 1 2001	IGO 1 2002	IGO 1 2003	IGO 2 2001	IGO 2 2002	IGO 2 2003
Donations	50.1	36.8	52.7	0.8	1.2	1.9	5.2	4.6	3.1	1.4	19.1	3	--	--	1.4	99.5	98.7	89.7	--	--	--	--	--	--
Grants	33.6	46.7	33.9	28.1	44.5	54.5	82.1	85.8	86.9	--	--	--	91.6	91.6	94.3	--	--	3.6	99.5	99.5	98.7	2.9	3.2	--
Community Contribution	15.5	9.7	12	12.5	7.8	1.8	9.7	8.6	5.7	--	--	--	2.4	2.6	4.2	--	0.3	3.9	--	--	--	82.5	82.9	82.4
Bank interest	1.5	1	1	0.8	0.8	3.6	3.1	3.9	4.3	28.2	1.7	25.5	0.2	0.1	0.1	0.5	1	2.7	0.4	0.4	1.3	12.5	13.7	17.1
Other receipts	--	5.8	0.3	11.6	2.9	4.5	--	--	--	0.8	1.6	1.3	0.5	0.7	0.03	--	--	--	--	--	--	0.2	0.2	0.5
Endowments/ Dividends/share	1.1	--	0.1	0.1	0.1	0.1	--	--	--	19.9	24.8	15.2	1.3	--	--	--	--	--	--	0.1	--	--	--	--
Opening balance	0.2	--	--	--	--	--	--	--	--	--	--	--	2.8	5	--	--	--	--	--	--	--	--	--	--
Corpus Fund	--	--	--	--	--	--	--	--	--	--	--	--	1.2	--	--	--	--	--	--	--	--	--	--	--
Building rent	--	--	--	44	42.7	33.5	--	--	--	49.8	52.7	55	--	--	--	--	--	--	--	--	--	--	--	--
Excess of income	--	--	--	2.1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

However, IGOs in practice have devoted only peripheral efforts to the former while they have pursued their market niche with such vigour that a decoupling between the two proceeded unexamined. Moreover, internal conflicts about how to reconcile the mission with the efforts to develop and expand the market for their services and the fragmented and fragile supply-demand chain in which NPOs operate and the difficulty in developing key control strategies for organizational resources.

Chief Administrator, Daya Trust stated, "...we try to come out with strategies to attract more clients and to build lasting rapport with them...however, we have little control on our competitors who also serve in the same locality...".

This revealed that organisations want to maintain secured fee-paying clients so that they will be supported continuously by the community contribution in the form of user fees. But, the competition between similar organisations served as a hurdle for further expansion.

Project Director-Health, SAPNA Project said, "...a few more NGOs are also working in our area and offering similar services, but we don't have control over them...we have tough competition in retaining clients with us..."

Organisations tried to occupy a place for a long time and designed strategies to leverage grants and assistance for delivering services.

At the same time, all HSOs stated uniquely that they have little control over or even knowledge about, the number and capacities of their competitors in their localities. Their services are of interest to virtually the entire population, and the organizations themselves are large, with sophisticated marketing capacity and they are easily identified by competitors and clients alike. On the other hand, financing pattern or composition has remained stable or unchanged in the last five years or so. Many NPOs have undertaken no other programmatic changes but have reorganized their staff positions in order to create finer salary gradations and increased opportunities for upward mobility within the organization. IGOs, however, have had a direct and substantial impact on community contribution. Fees and charges (community contribution) grew at annual rates of 8-12 per cent during the 2000-2004 period, as the NPOs established commercial offices in the urban centers and developed business partnerships with commercial industries. Though grant development was not treated as a central management task, the programme approach fell under the market position on how effectively one controls key resources, including staff, and can raise subsidies, simultaneously providing all the services.

"...our staff participate in various forums and national and international training programmes...we send them abroad for specialisation..." says Executive Director, AATMA Institute. On the one hand, the funds are diverted for strengthening the technical competence of the staff. The organisation has developed a hold on their staff to serve the organisation and to raise subsidies for providing services simultaneously.

One of the field staff in SADHANA Center stated, "...we are selling chairs for Rs. 500, that is costlier than the outside market. However, we could raise donations as it supported a social cause...".

Efforts are made to retain their market position and to have effective control over social development partnership with the customers who buy them and the community who produce the products.

Although IGOs and non-IGOs differ in programmatic decisions, these strategies reflect only in part, the deliberate processes. They also reflect the differences in the types of service activities these IGOs and non-IGOs provide. That is, the degree of the risk involved, the marketing environment, the level of association with clients, the extent to which NPOs can exercise power in their relationship with staff and customers, and the magnitude of social development partnership are some of the contingency factors that attempt to control the key resources for increasing community contribution. By linking its mission and market position so directly has captured a multiplicity of goals that pose management and organizational problems and contribute to the kind of internal conflicts found in IGOs. For instance, IGOs reduced their efforts to reach the poor and in turn, established contacts with only a minority who are capable of producing the product that is determined by the organizations' marketability. Even though my interaction with these minority groups revealed that they might not be willing to commit themselves to the long-term and relative intense interaction the organization demands. Not only that, to overcome this problem, these IGOs appointed professionals for doing the job but also viewed donations as part of its market strategy.

It has been observed that AATMA Institute, "...employed low-cost marketing strategies to promote their services however they failed to develop a reliable and coherent relationship with the clients as the clients did not fully pay for their work..."

Due to poor approach, limited operation of client services and less opportunity for repeat business, the organisation struggled to create predictable client relationship. Moreover, non-IGOs endeavoured to establish relationship within short circles i.e. the community they served than rather the outside market.

In contrast, SADHANA Center, "...approaches clients who are able to pay the full cost and appeal for outside support ... predictable and assured donations for the products..." Though the community is not paid fully for their products and has failed to develop assured relationships with the organisation, through a marketing approach the organisation has developed a long term relationship with the outside market and multiple contacts that make them more flexible in operation.

One of the community members stated, "...SUR Foundation established linkages with farmers who cultivated vegetables and fruits that are saleable and did not approach the poor...however, we do not want to associate with them for long..." To overcome the conflicts and lack of commitment from the community, SUR Foundation has also employed marketing and community mobilisation specialists to promote their active participation in the institute's activities.

In practice, the IGOs have come to prefer clients able to pay the full cost, thereby undermining its claim to serve economically diverse groups and its appeal to donors. Because it requests business/industry to agree to pay for the product, it can predict community contribution in the form of user fees, service charges or donations reasonably well over several years. Such long-term client relationship, multiple contacts, institutionalizing the clients, maintaining the quality of the programme not as subsidized, and quick decision-making for survival make them more resilient and less easily interrupted. But, in the case of non-IGOs, the study identified some contingencies associated with poor approach: operating time limited client services; opportunities for repeat business and low-cost marketing strategies. If the organized service plan is missed, the NPOs lose income; if the client or customer cannot pay for a service or terminates the relationships NPOs' policy prohibits services from giving the client or customer adequate treatment, and the dominant client type. And, these features make it very difficult to create predictable client relationship and help to explain the fiscal fragility of NPOs, particularly non-IGOs. The way in which market structures are institutionalized along these dimensions limits the range of options available to organizations.

The above discussion suggests the difficulties in developing and managing community contribution as an alternative financing mechanism due to several factors. The findings also illustrate strategic contingencies associated with the structure of the programme, the markets and the community contribution over which NPOs may have only limited control. Though NPOs have great control over how to expand the particular market niche they have selected for themselves, market decisions and client relationships may easily detract from efforts to pursue substantive goals articulated in the organization missions. For NPOs, uncertainties associated with market forces, and the *absence of support mechanism* for developing attractive market and fees structuring facilities, further added to the fire of struggling financing. One of the major challenges in receiving community contribution is how to link the organization's mission with a market position. As a result, community contribution in the form of user fees, service charges and product fees is less standardized among the NPOs and are intertwined features of financing. These two: organization mission and marketing, to be linked in order to minimize conflict, reduces the organization crises. At the same time, NPOs should negotiate with each client or customer and convince the client that it can effectively meet his or her individual needs. Moreover, because the client's service needs are time-limited, the negotiation system itself is fragile and easily interrupted.

Marketable Donations

Donations are in general the least controversial sources of revenues. NPOs have their origin in philanthropic and charitable efforts to alleviate suffering and promote human welfare. They represent the institutionalized form of such activities, and the public interest they serve justifies the special tax treatment of donations to them (Hall, 1987). Moreover, donations allow NPOs discretion in how to use the revenues. Yet, as the case studies have shown, the discretion and flexibility might be more imagined than real. In the present study, it is noted that each of many different types of donations: individual, group, institution, cash, kind or voluntary work by individuals or groups or institutions; and product and service-based donations demonstrated the complex exchange relationship that might not easily be convertible into financing pattern and/or predictable. These patterns of financing donations significantly vary from time-to-time and place-to-place and on/a day-to-day basis.

In the present study, donations are solicited by almost all NPOs but they accounted for a declining percent of revenues. The decline occurred across the NPOs, but it has particularly been important for HSOs. They face increasing competition for the donations but are less able than SSOs to reach the fragmented donor markets that characterize most donor types. For instance, (20% individual donation to SSOs 45% to HSOs and 80% group /company donation to SSOs and 55% HSOs in 'kind' which often did not account for). On the other hand, CDOs and IGOs have adopted product and service based donations, which has been discussed in detail in the previous section. However, in order to position their organizations for change, NPOs monitor the developments that affect different types of donors. According to the study NPOs, this is part of a broader set of management contingencies associated with fragmented donor systems, in which different types of donors require specialized approaches.

"...donations are important for our sustainability and we approach big companies and hospitals to support our activities in either cash or kind..." says Director, AATMA Institute. However, the costs for the donations that are given in 'kind' are not accounted.

For instance, a charity hospital is found supplying medicines to AATMA Institute to support its health centres. However, the cost of the medicines is not calculated and accounted anywhere in the income.

Chief Administrator, Daya Trust, stated, "we receive donations from individuals and also from companies...some volunteers also come and serve the patients...companies often sponsor in the form of kind i.e. equipment, medicines, etc..." Though the donors have been appreciated for their support, the cost of such donations is not accounted anywhere.

Programme Manager, SADHANA Center says, "...we attract our clients through our products and services...we also have linkages with the commercial market which supports us in getting good market prices for our products...".

NPOs employ specialised approaches to get more donations, as they feel comfortable in managing donations than grants with which many complexities are associated regarding their accountability.

Executive Director, SAPNA Project stated, "...followers of our religious leader support us basically...individual donors are flexible and so we could undertake new activities and strengthen our existing programmes...".

SAPNA Project tried to increase the individual donations further by marketing products like dolls dresses and handicrafts produced by their women's group and adolescent girls.

Programme Manager, JYOTI Foundation says, "...design strategies to influence corporates, multinational companies and business heads who are interested to support socio- developmental actions...we break up our programme into various sections and look for individuals of corporates who can support some part of the services and not the whole..."

In other words, individuals or groups donate, in general, on the basis of their preferences or choices that vary from individuals, including fee-paying clients or groups, to others.

Although donations demand fund-raising efforts, they are flexible and do not require the recipient organizations to use service staff members to generate the financing support directly, as do community contributions. At the same time, donations expand the range of management options. Therefore, because recipient NPOs could use unrestricted funds to complement the activities covered by restricted grants, they undertake efforts for which there is no existing client market or public support available.

"...we manage with trust funds when we do not receive grants or assistance from our donors in time...we undertake new activities sometimes, even if donor agencies or individuals do not support that idea..." stated Programme Manager, TRISHNA Trust. It has been observed that the 'trust fund' is mainly used to undertake new activities for which there is no existing client market or public support available.

Programme manager, FLE in SUR Foundation stated, "...we have NRI's donations in the form of our Foundation fund, there is freedom to utilise the donations for ancillary activities, which are not possible with only grants..."

Executive Director, JYOTI Foundation stated, "...through corporate support, we could expand our range of services and are able to plan innovative activities and implement them though public or private funding is not available..." Moreover, they have control over the corporate support and allocation of resources and subsequent utilisation of the donations.

Among the study NPOs, it has been found that organizations with access to unrestricted funding, such as individuals donations or corporate support, were able to plan their allocation of resources and activities with some degree of flexibility and direct control. Discussion with the Heads of the NPOs confirmed the positive assessment and subsequent utilization of the donations. The criteria for utilization of donations in general are consistent with the organization mission, as stated by the Heads of NPOs. An overwhelming proportion (78%) of the study organizations confirmed that they did not divert the funds into the areas of little ability while nearly two-thirds (62%) of the NPOs agreed that they allowed development of needed programmes and slightly less than half (47%) said that donations are utilized in general for enabling the service environment and empowering the community. This is because all NPOs acknowledged that donations are flexible and relatively easy to administer. Comparative analysis of the study NPOs showed that SSOs and HSOs expressed more positive assessment of donation than did CDOs and IGOs. For instance, CDOs and IGOs, as seen in the previous section – 'community contribution', – prefer to rely on user fee, service charges and product price based donations as it reflected 'no favouritism' rather than did SSOs and HSOs who expected to receive donations in cash or kind or voluntary work. The reasons expressed by the Heads of the CDOs and IGOs that donations in the form of community contribution are worth pursuing as there is no liability attached to it. That is, donations are in general viewed as having a range of characteristics.

On the other hand, all Heads of NPOs emphasized the uncertainty attached to donations. This is consistent with the study NPOs' data, which showed that unpredictable financing sources, particularly donations, make it difficult to plan for the future and those that involve favouritism are difficult to anticipate unless the recipient NPOs have good connections and can neutralize the idiosyncratic decisions by donors. The analysis of the donations of all the observed NPOs showed year-by-year changes and higher-level volatility for most types of donations.

As seen in Table 4.1a, about three-fourths of NPOs (i.e., except IGOs) showed average annual changes that ranged between 3% and 50%. The individual NPOs category suggested that CDOs and some of the SSOs have been able to attract donations that vary between the range of 90 and 96 per cent for CDOs followed by SSOs, 37 and 53 per cent. In the case of individual HSOs, it ranged between three and 12 percent during the study period (see Table 4.1b). Though IGOs also attempted to increase the share of donations, it did not portrait the same under donation heads and has been considering as product prices or market values for their services.

The case study findings also show that CDOs and SSOs documented high level management efforts associated with donations. Most Heads of NPOs involved in attempting to market the organization to a variety of the public, directors or board members, think they are a potential sources of donations. This practice reflects the long-standing tradition of board members and the NPOs establishing relationships towards social development partnership. And, the involvement of board members in fund-raising becomes a self-reinforcing process. Reliance on board members' personal network of this type of donations solves the problem of locating promising donors, and vice-versa. In other words, reliance on personal networks allows for at least some matching of interests with the organization and is likely to be a more efficient fund-raising tool to sustain the hope of predictable and controllable sources. Not only that, these NPOs has created special structures to maintain an ongoing social development partnership with donors.

Executive Director, SUR Foundation says, "...our board has strong linkages with NRIs and it helps us in locating promising donors and gaining more donations for the organisation's activities..."

When the organisation fails to attract donor agencies or individuals to support its services, it looks for board member's support, especially in the form of fund-raising activities.

"...our board members are mainly involved in fund raising activities. Therefore, we rely mostly on them for resources..." shared Executive Director, SAPNA Project.

In other words, dependency on board or association helps the organisation in establishing relationships with agencies or individuals whose interest matches the organisation's mission and vision.

Executive Director, JYOTI Foundation says, "...if we project ourselves as a corporate group with Corporate Social Responsibility, then the response from the corporates is good...we try to rouse their interest with our mission..." It also offered open board membership that invited influential faces into the board who could actively support them in locating potential donors to support them in the long run.

However, donations encourage NPOs to market themselves aggressively and to be highly selective about how they present themselves to the donors, perhaps to the point that the match between the donor priorities and their own activities might have less reality than both parties expect, or that have an obvious interest in the vitality of local communities.

This seemed to require either a firmly institutionalized relationship with specific donors or a generalized effort to play in the field. However, an institutionalized relationship with a donor reduces the volatility in individual donation streams by linking the organization tightly to a given financing source. Moreover, playing in the field allows organizations to cope with the effects of highly volatile donations by spreading the risk so that unpredictable increase in one type may offset equally unpredictable decreases in another.

CDOs involve relatively small changes where donations declined from 50 per cent in 2001 to 46 percent in 2003, compared to community contribution that showed a three percent increase (1-4 per cent). In case of IGOs, they mingled donations with income generated by marketing of saleable products and moreover these IGOs claimed individual and company donations as community contribution that accounted for about 41 per cent. Those NPOs, irrespective of the category, who have received stable corporate / company contributions (average annual changes of 2 percent for SSOs and HSOs while CDOs and IGOs ranged between 0.1 and 0.7 per cent) and individual contribution to community contribution (see Table-4.1b). These volatile streams account for more than 19.6 per cent of all types of donations. This is because of less involvement of board members in fund-raising efforts and maintaining formal membership structures to secure continuing support for product price and service charges. That is, CDOs and IGOs do not operate primarily through the board structure, which has no formal role in managing the organization including approving the NPOs' budget or exercising other forms of control. CDOs and IGOs, on the other hand, have sought to eliminate the voluntary aspects of membership support and have institutionalized the process by creating social action benefits. However, these CDOs and IGOs are involved in soliciting donations, which tends to focus on institutional donors outside the local community and relies on the staff members to do so towards a special event. Most likely, the act of soliciting modifies the existing balance of obligations for social development partnership on a large scale, as seen against CDOs and IGOs' less involvement with community benefits (see section on Community Contribution).

In other words, CDOs and IGOs, in general, do not seek donations or support; or, they do so only sporadically because they have access to a stable financing base from other forms of community contributions. In contrast, CDOs and IGOs might have greater or more limited opportunities, in general, to develop local funding, depending on the composition of their communities. Some communities are so impoverished that the organization obtains little financial support. In other communities, the organization has access to local funding, simply because of local community contribution. This might affect CDOs and IGOs' input process like suppliers and employees and outputs like customers or clients who are concentrated in the local community and determine whether community actions have direct consequences for its own well-being. This reflects CDOs and IGOs' poorly defined community interest, which they pursue passively. On the other hand, the NPOs' status as non-profit, particularly to IGOs, need to shape the cultural expectations of the local community about the nature and types of roles they can play.

Executive Director, SAPNA Project stated, "...we do receive our funds regularly from individual donors and exhibitions and fairs where we market our handicrafts, dolls, dresses, etc....we do not rely on our community as they are poor and cannot support our services..."

This shows their limited access to the local funding in the form of community contribution and dependency on other forms of a stable financing structure.

However, all NPOs, irrespective of the NPO category, employed local community residents with the goal of improving its quality of life and attracting local clients or customers. This fact has encouraged the institution to define their goals and interests broadly to include general community stability rather than merely making narrow decisions. This is highly visible among SSOs and HSOs (compared to CDOs and IGOs) and this is viewed as economic transformation, so forceful that only concerted, aggressive action could counteract them. By doing so, they have accepted several closely related contingencies: knowing the community's practices closely, avoiding forceful actions which inevitably hurt community feelings, and sustaining the programme efforts and benefits. These determinants promote voluntarism and sustain the community benefits while minimizing the problems of the financing pattern.

In TRISHNA Trust, Programme Manager stated, "... initially effective community participation was not realized in our rural developmental activities. Later, we felt that lasting change could be produced only if the villagers were made self-reliant, actively participating and contributing to their own development..." It shows that by doing so, Trust could promote voluntarism and community involvement while minimizing the expenditure.

"…we gave opportunities to the local women in preparing labels, packaging, etc. It helps the women to earn some income for them as well as the organisation..." says

Programme Manager, SADHANA Center. Involvement of local community residents served the interests of both community and the organization where the community strengthened their economic condition and the organization minimized the financing pattern.

Thus, donations provide NPOs with evidence of their legitimacy, and implicitly, their market value to other donors. All NPOs, on the other hand, have been making explicit efforts to involve and create interest in community issues among individuals, corporate companies, and so on to develop social development partnerships. Furthermore, the findings reveal that the study NPOs did not seek to create local, geographically based groups with sufficient interest in the organization and its activities to provide sustained financial support. At the same time, the absence of multiple donors or active boards limits the opportunities for other interests to be considered. Conversely, these NPOs attempt to institutionalize donor relationships through outright efforts to co-opt donors or their key representatives by creating an affiliation through board membership. At the same time, NPOs, particularly SSOs and HSOs with high levels of association with the local community, would increase their opportunities to take social action benefits without encountering any comparable stalemates. In contrast to CDOs and IGOs, their NPO status and explicit goals of promoting general welfare and public benefits accorded them some initial goodwill and the benefit of doubt about their motives. However, none of the NPOs are having assured donations or operating support even for short-term and have proved to be volatile showing major increases or decreases from year to year. Therefore, these NPOs need to take forceful action, but at high potential costs. This helps explain why they have relegated a significant portion of community strategies to a separate organization. Although social development partnership with the community might not reveal the exact social action benefits and its financing through community contribution, the community as an organization retains its direct authority over key aspects of renewal of support of a non-profit organization or the like. On the other side, even if NPOs are able to obtain access to donations, most of them have no effective leverage over them or much ability to generate the funding through their own direct service efforts. In contrast to user fees, services charges and product fees, donations separate donors (individual or groups) from clients / beneficiaries. This separation is most likely to affect SSOs and HSOs rather than CDOs and IGOs, because they rarely obtain donations from clients. However, seeking multiple donations increases the risk. NPOs are likely to be most successful in obtaining donations, if they tailor themselves to community needs. Overall donations have made limited impact on the service activities and are expected to lead to sustainability of the service action benefits. Thus, the success of the organization reflects a new and highly polished marketing approach in attracting donations, which increasingly demands tailor-made solicitation as well.

Grants

Grants and assistance are a major source of financing for all NPOs, followed by donations. At the same time, grants and assistance, and donations have unique characteristics that provide subsidies, which allow NPOs to expand their services widely and make them easily available to the marginalized sections of the society. Although it is an important source of revenues, grants and assistance present difficult management contingencies. It is a complex phenomenon and therefore inherently uncertain due to deficits and policy priorities, although it is not necessarily unpredictable or uncontrollable. In India, both Central and State governments often seek NPOs' support for the implementation of projects/programmes at local levels. Central support for programmes becomes incorporated in the Five Year plans at each level of government involvement. The geographical allocation of funds by higher levels of government coincides with local jurisdictions and the period of implementation might considerably vary among the government units. Moreover, the increased priorities to large-scale services to fellow citizens have shown increased budgetary allocation in the Five-Year Plans (see Chapter-1 for detail). However, grants and assistance involve multifaceted association and explicit requirements of accountability, and therefore, limits management discretion over the internal disposition of resources.

In all the study NPOs, irrespective of the category they belong to, grants are one of the main sources of total financing and, therefore, control – percent. The rest is contributed by Official Development Assistance (ODA). The individual organizational analysis showed that SSOs, which had adapted multiple sectoral approaches, depended on government grants more, as compared to HSOs, which depend mainly on ODA. This showed the SSOs' capacity to negotiate the system effectively towards social development partnership. But, regrettably, none of the study NPOs are receiving grants from local government units such as panchayat raj institutions, municipal corporations, etc. The year-wise analysis suggested that grants, particularly government grants, involved a fairly high level of continuity for SSOs, but less continuity for CDOs (Table-4.1b). Annual changes in public grants, for the study SSOs fluctuated less dramatically than most other sources of donations. Indirect evidence proved that grants and assistance are likely to be less volatile for HSOs, followed by CDOs, than for SSOs. However, IGOs had fairly small fluctuations with annual changes averaging 3 per cent as compared to CDOs, with 2 percent. However, some of the SSOs and IGOs showed donations given by corporate/ NRIs for community development activities as grants, which perceived to be predictable and reliable by these NPOs (see Table 4.1a & 4.1b). My interaction with the Heads of organizations emphasized the continuity and predictability of government grants. Interestingly, CDOs and IGOs receive donations that have been accounted in the grants budget line-items. Due to this, their grants have been seen as higher than SSOs and HSOs.

Programme Manager, TRISHNA Trust stated, "...we have been awarded Resource Center status for adolescent reproductive health project and to train and strengthen NGOs in this direction...however we, have not received the money so far..." This shows that the organizations faces difficulty in receiving government grants and, in turn, looked out for alternative sources of income.

Head of the organisation, UDAY Society said,"...till now we did not receive any funds from government and there are many complexities associated with the inflow of public funding..." As the public funding is irregular and fluctuating, most of the organisations viewed it as unpredictable.

"...we don't want to loose any government funds and try to utilise the opportunities but we need to keep the money in advance as government funding is not easily sanctioned..." says Director, AATMA Institute. Organizations felt that it is a lengthy process and unreliable in the long run.

But, all the studied IGOs expressed some anxiety about the uncertainty in receiving government grants. They thought that the government gave priority to serving low socio-economic status populations, disadvantaged categories and marginalized sections. In addition to this, many NPOs agreed that government financing is consistent with the mission of their organizations. Nevertheless, IGOs have been successful in financing themselves through generating corporate support and community contribution in the form of user fees, service charges and product price. On the other hand, however, the percentage of NPOs who gave positive remarks about government grants is smaller than the official development assistance, due to its flexibility, and is worth pursuing as it supports the management overheads.

Detailed analysis of the history of the grants and assistance for the study NPOs provided explicit information. In the initial period, all the NPOs, irrespective of their category, were longing for government grants and received continuous support. However, over a period, particularly after the initiation of economic liberalization, NPOs are believed to be expressing the view that government grants are troublesome, and the grants amount changed from year to year. Only the CDOs added large new financing sources and the SSOs and HSOs experienced increasing reliance on small grants and contracts. This is because of NPOs' strategies including efforts to cushion the organization against the uncertainties and external control associated with the grants and assistance. In contrast, only IGOs have shown disinterest in receiving grants in order to minimize possible deflection of the organization's mission as they moved along with the corporate approach. In interactions with the Heads of IGOs, regarding non-seeking behaviour in respect of government grants and assistance they argued that "grants and assistance may interfere with their efforts to maintain a businesslike operation". As a result, most of the case study organizations have come to operate with increasingly diverse projects for their grants and assistance, which may or may not match their own fiscal deficit. In short, the dominant pattern is one of ongoing grants and assistance, with the addition of new financing sources over time. The availability of grants and assistance, particularly from government, is a major factor in making public funding a driving force for social development partnership and continuing social action benefits.

Some of the NPOs added why they avoided government grants. One of the CDOs, said that the government "too much bureaucratic in its approach". In general, public funding sources such as, government and ODA, delay approving grants and assistance until political compromises have resolved budgetary crisis and routinely pay on post-effort basis that results in further delays in payment. However, most of the organizations have had only moderate success in securing a high-fund balance. This is particularly true for organizations such as HSOs and IGOs, which have seen fluctuations in fund balances (surplus reserved) as a percentage of annual expenditures, occasionally reaching 14 per cent for CDOs to 46 per cent for HSOs in 2003 (Table 4.2) In the case of SSOs, the surplus ranged between 2 and 10 which is less compared to other NPOs. For HSOs the available cash balances ranged between 45 and 51 per cent of annual expenditures, in last three financial years. The Head of the organizations stated that most of the funds flows into the organization at the end of financial year in the form of user fees, donations (individual and company) and grants that are left unutilized and carried forward.

Table 4.2: Available Surplus against Annual Expenditures, Case-Study Organizations 2000-01 to 2003-04

Category of Organization	2000-01	2001-02	2002-03
SSOs	1.6	10.7	5.3
HSOs	51.5	45.2	46.2
IGOs	24.5	26.9	43.0
CDOs	20.9	31.8	13.9

Moreover, individual analysis of NPOs reveals that the organizations that are supported by corporate, individual donations and trust are able to reserve a huge amount of fund as a surplus compared to others that are relied upon public grants and ODA.

Another reason for being not interested in continuing the grants and assistance, particularly with external control and lack of discretion characterize the grants and assistance, limits the range of internal management decisions that recipient NPOs can make. These features have direct and immediate management implications for NPOs. The study NPOs used a variety of administrative strategies to manage external control by public agencies. For example, to minimize conflicting demands on service staff and to facilitate reporting efforts, most adopt a high level of specialization. They assign service staff members to only one grant or assistance, if sufficient funding is available to cover the staff salary. As a result, the organizations have very complex organizational structures, which largely parallel their public funding streams. Due to this, there is no specialization-taking place along the functional lines with centralized and unique mechanisms for maintaining the client or programme database and preparing financial reports or documentation. The mechanisms vary considerably, depending on whether the organization must report on clearly separable activities for each funding source or on overlapping efforts to multiple donors.

Table – 4.3 Direction of significant Correlation between specific financing sources and total revenues of the case study organization for various years

Name of NPOs	Public Financing	ODA	Donations	Community contribution	Special Events	Income generation Activities	Others (including kind/labor/ Voluntary)
Social Service Organizations							
TRISHNA Trust	0.0725 *	0.6352 #	0.2520	-0.0144 *	-0.7482	-0.0223	0.0714 ^
JYOTI Foundation	-0.4326 #	-0.4600 $	0.1293 ^	0.0122	-0.1250	-0.1547	0.0230
Health Service Organizations							
AATMA Institute	-0.0504 #	0.0315 *	-0.2170 #	0.0578 #	-0.0584 $	0.0614 $	0.1440 $
Daya Trust	0.0220 $	0.1541	0.0261	-0.0727 ^	-0.0124 #	-0.0637	0.2758
Community Development Organizations							
UDAY Society	-0.000	-0.0200 #	-0.1199	-0.1011	-0.0714	-0.0115	-0.0167 *
SAPNA Project	-0.0381 *	-0.1269 *	0.1068 ^	-0.0467 #	-0.0204 #	0.0269 *	0.0599 #
Income Generation Organizations							
SADHANA Center	-0.7291	0.0825 #	-0.1348	0.0734 ^	0.0426 *	0.0161 ^	-0.0443
SUR Foundation	-0.2998 #	0.0219 ^	-0.1777 ^	0.0621 *	0.1236 *	0.0177 *	-0.0291

*^ P<0.01 * P < 0.05 # P<0.10 $ P< 0.20*

Cost-cutting and Financing

As we saw in the previous chapters, uncertainties and difficulties surround NPOs in receiving continuous support in the form of grants and assistance. This has made the NPOs develop effective monitoring of their activities and create appropriate strategic positions to sustain the benefits and the organization as well. Some of these uncertainties are offset by the tendency of public funding sources to provide continuous financing. However, community contribution at cost-control and cost sharing is generating additional contingencies for managing public grants and assistance and shows significant for the most of the study organizations (see Table 4.3). Cost control occurs when government and ODA agencies limit increases in grants and assistance, perhaps to levels below the increases in operating costs. But, they require that the same level of services to be provided. Cost sharing exists when government and ODA require or provide incentives to NPOs to secure matching funds for programme activities otherwise covered by grants and assistance. However, the cost-sharing is a recent phenomenon. The interaction with donor agencies is as follows:

It is shared with the researcher that "...Australian agency supported the work of AATMA Institute on HIV/AIDS under PMTCT project only after the agreement of 50% share of overall project cost..." Due to limited grants/assistance and cost control mechanism, Institute started designing strategies effectively to manage the cost sharing by minimising the programme expenditure.

Programme Director-Health, SAPNA Project stated, "...government supported the Safe Motherhood programme but demanded the organisation to deliver medical services and offered only the referral services through referral centres..."

Cost sharing is a recent phenomenon and it is the impact of reducing funding relativeness, which has coerced NPOs to look for their own sources of funding.

"...Under Rural Infrastructure Development project, the German government insisted on TRISHNA Trust sharing the cost of laying roads and mobilised at least 20% contribution from the community to support the entire project cost..." said Programme Manager, Trust. This reflected that cost sharing encouraged the organisations to look for cost cutting strategies and minimising the overall expenditures.

Executive Director, JYOTI Foundation stated, "...Health Alliance supported one of our projects with an initial agreement of equal sharing of total project cost...that increased our burden of developing approaches to minimise the expenditures and working with greater commitment..."

This shows that cost sharing gives NPOs a stake in programme activities, encourages greater commitment to programme goals, and requires less intensive monitoring from the donor's side. The overall result, however, is fiscal uncertainty about the level of funding available for the next cycle of financing and the absorption of other non-profit financing to meet the full costs of services. The above case studies also show that cost-sharing occurs frequently in grants and assistance. At times, it comes about incidentally as NPOs compete for the limited grants and assistance. By accepting payment levels below the actual costs of delivering the services, the organization undercuts the proposal of other agencies and ensures that its own receives favourable attention. Moreover, cost sharing has been an increasingly emphasized phenomenon in the recent past, an explicit part of grants and assistance.

Interaction with one of the funding agencies, ICMR reveals, "...we do not pay the salary of staff members directly to any organisation who approach for grants/assistance and there is no space in the budget for any grantee..."

Interaction of the researcher with JICA Officials revealed that, "...JICA do not support any organisation directly but it diverted funds through nodal agencies..." Donor agencies sought their control over funds utilisation through various cost cutting procedures in order to ensure effective and efficient performance of awarded organisations.

Recent financing patterns and allocations of funds to the voluntary sector reveals that "...public agencies have reduced the overhead charges from 15% to 5% of overall project cost due to increasing fiscal deficit..."

One of the staff members in Futures group stated, "...we pay only cost-to-cost...if any organisation could not utilise the fund in time according to our goals and agreement... they have to pay it back..." This has been reflected in more organisations seeking alternative sources of funding to escape the limited funding and cost cutting measures.

Much of the pressure for cost control and cost sharing originates from the perennial budget problems and difficulties. However, there are also explicit tax incentives for NPOs to receive community contributions including donations, and NPOs can claim credit for a larger volume of service than would be possible otherwise.

"the range of agreed on procedures is extensive and may involve minute details of organizational activities. To demonstrate their accountability, NPOs are generally required to provide public officials with assurances that they have spent the funding appropriately, that the agreed on services have been delivered to eligible clients under suitable conditions and that they otherwise adhere to appropriate principles of public behaviour…"

Interaction with government officials revealed that they seek to control funds utilization, managing clients, monitoring, etc., indirectly through cost-cutting. In return, NPOs are expected to ensure that their performance of a specified set of activities meets statutory and legislative procedural requirements. In other words, the cost-cutting approach, therefore, subjects NPOs to explicit efforts by government officials to control and monitor their behaviour, limiting the amount of formal discretion that they exercise over internal organizational resources. They must not only manage the direct service efforts but also adhere to the external requirements. On the other hand, curtailments in the overall financing from government agencies and the absence of new initiatives, probably, mean that fewer NPOs have experienced rapid growth. As one of the top Social Welfare Department officials cited, the "government is increasingly facing curtailment of management overheads and, because of this, the equation financing NPOs also changed over time".

This is reflected among all the studied NPOs and shows grants from government agencies declining from year to year for SSOs and HSOs while CDOs experience changes over variable. In addition to this, all NPOs, including SSOs have experienced increasing reliance on small grants and assistance. However, the proportion of small grants is higher for the CDOs than HSOs, ranging between 8 and 21 percent. But, surprisingly, all the studied NPOs had not added / received a new, large financing source during the last five years. The NPOs had added only small grants and contracts. As a result, most of the case study organizations have come to operate with increasingly diverse projects for their grants and assistance, which may or may not match their own fiscal deficit. The researchers who have worked in the area have stated that meeting ongoing service needs with declining purchasing power of revenues strains management resources and is an important element in the pattern of cost sharing that characterizes public financing.

Thus, these patterns of financing, cost-cutting and cost-sharing and financing, management overheads and limited discretion explain why most NPOs view grant and assistance positively although with a strong measure of ambivalence.

Section Four

STRATEGIC POSITIONING AND LEVERAGE

The development of strategic positions and leverage operates somewhat differently in maintaining social development partnerships and sustaining the social action benefits. The patterns of financing could provide evidence that the process operates for strategic positioning and leverage of resources. It is difficult to document NPOs' influence over community financing or support.

Director, AAMTA Institute stated, "...we are working in Tigri for a very long time and, in order to sustain our services in the long run, we have purchased recently land to establish a training centre..."

In TRISHNA Trust, it has been observed that, "...*anganwadi* centres are built in the community donated land/house (community contribution)...but it has been named after Trust and accounted as the organisation's assets..." This shows how organisations tactfully and gradually gain community support and occupy their resources for their implementation and sustainability.

SAPNA Project purchased a house inside the community for running a *balwadi* centre and to create a permanent foundation for them to invest further resources, leverage grants and assistance to support both the organisation's mission and social action benefits as well.

UDAY Society is seen as a community oriented organisation, it could attract the support of political parties and government and got a home for running its office which was set up for the community's welfare..." It has been understood that community resources are utilised for the organisation's sustainability and to leverage grants or assistance from the donor agencies for its services.

The above case studies show that NPOs' effort to develop strategic position in welfare-oriented services involved seeking access to government officials and administrators, while emphasizing service expertise and proven neutrality. All NPOs sought to position themselves strategically for new developments. However, SSOs and HSOs seemed to find this relatively easier to do because of the high priority assigned to their target populations in most programmes. All the study NPOs used their contacts to leverage resources from government and the community as well as to ensure adequate support of interest to them and made explicit efforts to obtain favorable results in specific places, buildings, land and grants and all have been successful. This also shows that efforts to establish strategic positions and leveraging are more complicated for social development partnership and sustaining the social action benefits as well. However SSOs and HSOs expend considerable time, resources and energy on such efforts to get political and community support for receiving up-front grants, including place/land for their implementation. They have invested time and resources in creating the legal foundation for them and helped establish the governing structure for the local community that govern them. CDOs and IGOs are complicated due to the marginal value of their infrastructure and the uncertainty of local political alignment. However, CDOs and IGOs have been able to obtain grants and assistance even during a period of fiscal constraints and made remarkable achievements during the last 10 years.

On the other hand, all NPOs, irrespective of category, uniquely voiced that, in order to preserve strategic positioning and leveraging, they need to maintain good performance levels on the existing financing. For instance, exceeding contractual performance standards not only protects existing financing but also builds credibility and support for new partnerships for development financing.

In most cases, the organization sought to expand their existing base within a particular agency by applying for grants or assistance in a different programme area. Such a foot-in the door strategy has several advantages, according to Gronjberg. The organizations can use their existing contacts with the funding agency to obtain relevant and strategic information about new funding opportunities. In some cases, new financing opportunities are managed by public agency staff that the organization has worked within their current grants and assistance. These staff members bring their familiarity of the organization's performance to the new financing opportunities.

On the other hand, when NPOs pursue their new financing opportunities with new agencies in which they have had no prior contact they are less likely to succeed. In interaction with donor agencies, it was noted, NPOs rely on their past experience and performance in seeking support to build their credibility for other grants and assistance. The process operates less efficiently under these circumstances, because both agencies have less reliable information about the nature of the work or performance. However, due to non-performance and unsatisfactory achievement HSOs lost the contracts on that basis; the latter barely managed to avoid complete loss and re-negotiated a contract, but for a much smaller grant or assistance.

In addition to these, all NPOs centralized the reporting system to make sure that particular service activities are sorted-out so that programme reports match as closely as possible the performance level that each grant and assistance specifies. This improves the agency's ability to claim 100 percent of each grant, and allows for tight coordination of efforts to manage multiple grants and assistance besides donations and present a consistent front to the donors.

This shows that even well-established organizations such as SSOs and HSOs are also struggling to retain the financing opportunities from existing donors due to non-performance. But, it seemed to be repeatedly occurring with HSOs as they mix the cases from one project with another. Because of these reasons, HSOs moved very comfortably with community financing as alternative. In these cases, NPOs, particularly HSOs, have less opportunities to fine-tune their strategies as compared to the above cases, which have had opportunities to improve/ increase their chances of success for new funding by providing evidence based documents to perform in a related programme area. The process reduces the uncertainty for NPOs and enables them to continue the programmatic work but still it questions the level of sustainability.

Thus, several factors appear to have operated for strategic positioning and leveraging for new types of financing which require strong efforts to maintain contacts and build community consensus about the strategic positioning and leveraging for social development partnership as well as for social action benefits.

This chapter explains the diversity of the trends and patterns of the financing of NPOs, which reflect the level of social development partnership, and the degree of social action benefits initiated. However, growth in community contribution and earned income through special events indicate the extent to which the service fields are becoming increasingly market-oriented and crossing the line to for-profit establishments. Trends in donations and grants determine the volume of subsidized services available. The combination of various modes of financing illustrates how the environment in which individual NPOs operational mode has been changing. However, each NPO brings its own specification for the required social development partnership towards continuing and sustaining the social action benefits. The trends and growth of financing further prove substantial differences in funding dynamics among individual organizations. The year-wise analysis depicts that some gained and some lost and some have secured constant financing (Table-4.1a & 4.1b). These changes further note the net result of the experiences with the financing dynamics that accentuate the changes in the service delivery mechanism. The community development environment appears to be more turbulent than that of the social service action, making it more difficult to maintain stability over sustainability in the former than in the latter.

Thus, public funding – grants and assistance - is a driving force for NPOs. It provides sustained funding, which requires a higher degree of management efforts. For most NPOs, it is a major factor in their growth or decline. It absorbs and directs organizational energies and reduces internal discretion, but it also allows NPOs to develop strategic positions and exercise leverage. The strategic position and leverage have their costs. From the study analysis, it has been noted that they require investment in resources, creating an effective monitoring systems and developing a strategic position to avoid co-optation. Perhaps, the coupling of donor and NPOs activities allows the government sector to externalize some of its structural problems onto the non-profit sector. *There is a need for legislative efforts to address the concerns of local constituencies, mainly a symbolic expression* when carried out through NPOs, unless these NPOs are accountable to the same constituencies. And, the public funding system easily obscures inadequate levels of expenditure for public sector activities and simultaneously imposes cost sharing on non-profits. The complexity of these contingencies increases the need for NPOs to monitor pubic sector developments, engage in extensive boundary – spanning activities, and create a flexible and carefully crafted strategic position and exercise leverage. The greater continuity in and predictability of government grants and ODA make them particularly attractive to NPOs. However, the flexibility in ODA makes NPOs to ignore the government grants as it involves complexity and the great amount of effort involved in securing the grants, as seen in the study. As a result, ODA comes to dominate NPOs activities, particularly HSOs and SSOs, even if the organization also receives sizable amounts of funding from government grants and donations. Candidly, NPOs also maintain high level of performance to safeguard their credibility with the aim of large fund reserves to deal with the cash-flow problems, and structure their core activities in such a way that they are buffered from community financing.

Chapter Five

Complex paths and management burdens: The Relations

Major changes in one or more primary funding sources are most significant for programme-specific financing that directly links the receipt of revenues for the performance of particular activities. This chapter details how the changes in the revenues depend on how the organizations address the contingencies associated with each of the sources discussed in the previous chapter. In addition, it also illustrates the decision-making process from the NPOs' point of view – coordination with the financing sources, and the constraints within and across the study NPOs.

Authority and autonomy of fund management

Most of NPOs participate in the complex system of restricted grants and assistance that characterizes the non-profit mission status. Moreover, the overall efficiency of NPOs and their system depends critically on how these financing networkings take-place. Data from the case study organizations showed how inter-organizational paths link to one another and to non-profit and service providers in complex patterns. For instance, HSOs (like other case study organizations) obtain most of their restricted grants and assistance from government, private sector and ODA. Community financing such as donations, service charges and product fees are among the least complicated in the service system, since they involve only one level of decision-making before reaching the organization. So does private voluntary support. In contrast, Official development assistance works through multiple levels of government and involves decisions of at least three levels before they reach the NPOs that actually deliver the services.

But, in the case of SSOs, the financing network is more complex than in the case of CDOs and IGOs. Its restricted grants, assistance and donation sources involve an average of 3.6 transactions. This means that each financing is processed by an average of more than three decision-makers before it reaches the beneficiaries / clients. Table 5.1 shows the extensive involvement of various key decision making processes, which reflect the high level of control that donors exert over spending on social development partnership and creating and sustaining the social action benefits. Table 5.1 shows that the study organizations with public funding networks are almost as complex, with an average 3.4 transactions per grant or assistance. CDOs and IGOs average between 2.4 and 4.0 transactions per government grant or assistance. This structure imposes obvious transaction costs in the form of time, energy and personnel cost and creates significant planning problems to each organization – donor agencies and its branches, government and NPOs since each organization adds its own layer of objectives in order to determine its own resource opportunities. Although linked through the exchange of funds, the NPOs operate with relative autonomy and are decoupled from one another.

Table 5.1: Public Funding Networks and its Transactions Process

Type of Organizations	Average Transactions*	Total Paths	Govt. Grants	ODA Assistance	Community Contribution	Donation	Corporate Grants	Income Generation (Sales/ Marketing)
TRISHNA Trust	3.4	17	4	7	1	--	2	3
JYOTI Foundation	3.8	15	2	--	--	1	12	--
AATMA Institute	4.6	23	3	10	3	3	--	4
Daya Trust	2.5	5	--	--	3	2	--	--
UDAY Society	2.5	5	--	3	--	--	2	--
SAPNA Project	2.3	9	3	--	2	2	--	2
SUR Foundation	5.3	16	--	--	2	12	--	2
SADHANA Center	2.8	14	8	2	2	--	--	2

* Average transaction is the sum of individual paths that links these funders the actual service providers divided the number of grants

On the other hand, the multi-layer approach of donors' involvement and consistent monitoring are required at different levels. Social development partnership and social action benefits are critical for SSOs and HSOs as they are functioning at state or nationwide scope, or major regions of the country or states. However, these statewide or countrywide coalitions tend to be dominated by SSOs and HSOs while CDOs and IGOs which are small in size and locally based may find it difficult to get their own slant on state activities.

Moreover, it has been noted that SSOs and HSOs very often play the role of intermediary organizations. Notably, state agencies and CDOs often add some of their own resources to the funds they receive from primary donors. In the case of some of the SSOs and HSOs, they simply administer the funds for a higher or small level organization for implementation of the programme objectives, adding no resources, regardless of where the financing originates.

Executive Director, AATMA Institute stated, "…Being a resource center, we receive funds directly from bilateral donors and distributes them to the other partner organizations. However, we and our partner organizations expect partial contribution to the financing as a condition for receiving support…"

Program Manager, TRISHNA Trust says, "…TRISHNA plays an intermediary role between donors and the other NPOs (roughly eight) in the distribution of the funds, (including financial) monitoring and supervision, providing technical inputs, etc…"

Executive Director, SUR Foundation stated, "…The trust receives grants directly in its account and disposes them to local village committees/ organizations. SUR Foundation plays the part of a nodal agency in disposing funds and accounting and utilization of those funds by local organizations, but Foundation does contribute its resources in the form of knowledge building and posting a staff with signatory power at each local organization…"

This uniquely uncoupled structure allows for considerable flexibility, but at the risk of disengagement by any of the participants. The addition of programme objectives and reporting requirements at each transaction point increase the likelihood that the service system assumed to exist may bear little relationship to the one that actually does. The system is so complex that it defies description, let alone regulatory measures create and to develop a coordinated, collaborated and integrated service delivery system.

Understanding Financing Time frame

For NPOs, each financing relationship involves time frame that reflect the joint programme agreements and activities of itself. Donors exert the greatest up-front control over the relationship. As we seen above, the social development partnership is more complex and it decides at will or on the basis of legal requirements including time frame for financing social action benefits. However, NPOs are left to determine whether and how they will adhere to financing criteria. In the case study organizations, it has been found that community financing such as client direct fees, service charges, product price and private donations are not demanding and the tasks are flexible and more or less under the unilateral control of the organization itself, see previous Chapter for detail. However, in the corporate or company based support involve institutionalized process, which seek specific procedures, although most are fairly simple. On the contrary, government grants and ODA undertake systematic examination before financing, which consists of social audit and formalized approach including application and reporting.

For instance, the review of SSOs documentation revealed that corporate donations, in general come with letters that occasionally but not always follow formats or address topics specified in grant application procedures and/or NPOs also followed the same procedures for seeking support. At times, a copy of organization profile with audit report and other publication materials are attached. Final reports generally consist of a letter with a description of activities performed during the financing period, a statement of expenditures associated with the grant and a copy of organization's recent report, on the one hand. The extent to which these tasks are fairly simple, on the other hand, only a few NPOs maintain separate files for each grant or support they receive. But, all study NPOs who maintained an ongoing relationship with government or ODA established a separate file. At the same time, NPOs expressed difficulty in managing and securing private donations. Community financing is significantly less compared to government and ODA financing.

But, in the case of government and ODA support, a lot of communication is involved before the financing: social audit linked with conducting programmatic expenditures, reviewing existing programme performance, assessing current community-specific needs, etc. At times, the financing approval took more than a year. These procedures have been followed strictly, irrespective of the volume and size of the financing.

AATMA Institute received Rs. 4 lacs for a research study on early pregnancy and early marriage for two years; TRISHNA Trust received 12 lacs per year for being a nodal agency and Jyoti Foundation received Rs.60000 for supporting an adolescent clinic for six months. However, meanwhile, there are lots of communications regarding inception of the project, progress reports oriented discussion, training on government accounting manual, mid-term review, timing of monitoring and supervision visits, comments on project implementation documents, project review reports / comments, organizing workshops, end-term evaluation, dissemination workshops, fund utilization reports, etc.

On the other hand, it was observed during my interactions with donors during the proposal and contract phase that the variety of mechanisms by which NPOs gain access to the grants, are integral to the complex negotiations that pervade the funding relationships. But, they develop under circumstances that create uncertainty and other planning problems for NPOs. Many NPOs admitted that this is the period, which motivates them to offer bribes or follow illegal procedures for continued financing support for ongoing programme activities, although they were less certain about the level of the funding they would receive.

SUR Foundation, Director says, "…Our organization paid one-fourth of the project funds to the sanctioning authority of the projects…we showed the accounts in a way that the amount has been spent on conducting needs assessment, consultant fees for designing the project, establishing the office set up in the approved project areas…"

Executive Director, AATMA Institute says, "…It is a give-and-take process as we are under pressure in generating funds for our survival. Sometimes we need to fulfill the donor's personal needs… for instance, getting a six months projects from a government agency, we provided a job in our organization to her daughter who had just passed graduation to gain experiences…"

"…Many times we need to pay money for the donor's staff, particularly international agency for recommending our organization for funding in the form of consultancy…When researcher intervened, "…one of the donor's staff family members becomes a consultant and receives the money…at times the share 1/6th of funds go to them in the form of consultancy…" says Program Manager, TRISHNA Trust.

"…Whenever any agency visits for reviewing the project or pre-appraisal visits for evaluation, the organization / sanctioning the project, it is expected that the 'visitors' are taken care of very well in the form of arranging and paying for their accommodation, their visits to local sight seeing places…Of course, there should be no mistake, otherwise the project may be delayed or may not be sanctioned" says Project Director of a Varanasi based NGO.

The above case studies show that NPOs do so, in part, because the range and structure of tasks during the operating phase encourage the development of particular patterns of accommodations between the donors and the NPOs. However, the structures of the proposal phase also create significant barriers to entry of new organizations. That is more so for CDOs. This pattern of relatively closed funding streams was much more prevalent among HSOs, followed by CDOs and SSOs.

Though all NPOs argued that their high success rates reflected donors' recognition of their performance, although they also pointed to their 'grantsmanship' skills more generally. There is some evidence for these claims. In a number of cases, the NPOs made extensive efforts, including both legal and illegal procedures, to secure the success of their proposals. In other cases, proposals went to the funding sources that had previously funded the NPOs and where they had contacts, some experience with the procedures, and a track record of achieving targets. This was the case for most of the new proposals submitted by the HSOs and CDOs and for several SSOs. However, specific incidents surrounding some proposals, especially those involving new grants, suggest a more complex interpretation. They show how the existing funding relationship provides agencies with leverage in securing continuing financing and access to special opportunities.

On the other hand, some of the NPOs stated that they even hired additional staff and rented office space in anticipation of their expanded activities. They were caught in financial obligations, for which funding would not be available. Only a few NPOs admitted that they planned to start the programme slowly and had not committed new resources to it.

When researcher intervened, all the persons whom he interacted with, stated that "…showing more number of project or conducting many projects will lead to organization performance and, in return, it provides more consistent funding opportunities…"

In contrast,

Executive Director, AATMA Institute says, "...Australian funding agency kept demands as 50 per cent contribution as a condition of receiving 50 per cent from it.."

In TRISHNA Trust "German infrastructure agency clearly told the organization that we have to mobilize 20 per cent contribution for building toilets and laying roads in advance so as to receive the remaining 80 per cent from its grant", says the Programme Manager.

"Our grants to local organizations is on condition that they have to contribute their labour or contribute 40 per cent in order to receive 60 percent support..", says the Programme Leader, Community Mobilisation, SUR Foundation.

Finance Manager, JYOTI Foundation states, "Funding agency or even corporate donors do not support office development and some clearly quote that no overheads are to be charged or funds are not to be in this direction. And the donor treats this as a contribution from the participating organization".

My cross-interaction with donor agencies revealed that financing is more performance oriented. Because particularly ODA are in general "cherry picking" specific parts of the projects and ignoring the rest; selective grants which means following their programming preferences, guidelines and expectations; and pick projects based approach on their preferences for particular groups or particular type of activities at the expense of equally worthwhile projects that are incompatible with donor requirements.

AATMA Institute was supported by SUR Foundation for population stabilization project for a period of two years… due to non-performance, the funding was stopped before the completion of the project...” says one of the officials in top management. “However, after much of the negotiations, SUR Foundation extended support for 3 months and finally withdrew due to non-satisfaction of the observation period” he added.

Program Manager, TRISHNA Trust stated, “…TRISHNA Trust has done good performance in the last few years. But due to uncertainty in financing, it is not able to generate funds or receive support…”. This is because, Trust has been working in the same area for the last 35 years or so and not able to develop new thinking to attract funding and or finding it hard to get support.

Executive Director, JYOTI Foundation stated, “…Alliance supported project has been suddenly withdrawn by quoting the programme’s non-performance before the period of agreement… At the same time, the funding agency moved with other implementing agency for the same cause in the project area…”

The above case studies show how difficult it is to break into the existing financing streams and how effectively NPOs are able to defend continuing partnerships with public funding. At the same time, this relationship approach suggests two different environments: first, organizations submit proposals for financing where the process of review and approval is relatively open. A very few of the study NPOs operate in this competitive manner. Under these conditions, a proposal stands or falls on its merits and on the characteristics of the organization making the proposal, such as its credibility or its prior relationship with the funding source. Second, governments and other funding agencies have created a few new funding streams in recent years, and the existing streams have a full cast of participants. Under these conditions, partnership operates in a different environment, because they are conditioned by the system of competitive providers, who are already active in the programme area. Although the proposal process is still competitive, it operates as a relatively closed system. In the social service field, an additional consideration lends strength to the closed system: they claim that clients/customers benefit from continuity of care. This argument allows existing NPO service providers to argue that any change in the service providers will disrupt, and therefore impair the quality of services that the clients are obtaining.

Studies on cost behaviour have confirmed the existence of such a closed system, at least for the governments. This pattern of approach reduces the government/donors effort in identifying potential partners for implementation. It allows them to use any leftover funds to complement the activities they are already supporting and to do so quickly. Although new NPOs may enter the system, they do not stay for long or obtain large amounts of financing. Thus, the social development partnership (funding relationship) appears to allow NPOs to build their reputations, and provide them with information about other programmes, and, together with the use of external networks, help them fine-tune their approach to new sources.

Financing Pattern, Budgeting and Cash-flows

Although funding sources gave the case study organizations an average of 8-12 weeks' lead time for submitting proposals, the donors took an average of 4-6 weeks to decide whether to accept the proposal. As a result, funding sources rarely approve proposals or finalize grants before the start of the programme period. The review of the NPOs, irrespective of their category, and their documentation revealed that only four proposals (out of 11) had been accepted in the last five years. However, the funding sources approved these proposals 12- 17 weeks before the start of the programme. The patterns of delay were even more serious for getting final agreement; only eight of 56 proposals (inclusive of existing and already completed programmes) were finalized as much as six weeks before the start of the programme period; the rest, later than that. The median was four weeks into the programme period, with twenty awards exceeding 15 weeks into the period, including four that were not legally executed until six to seven months into the programme.

The delays are more technical than substantive which poses management problems for the NPOs. As long as the funding sources do not approve the proposals, organizations do not know at what level of staff positions and personnel cost they will be able to operate during the coming programme period.

Chief Accountant, AATMA Institute stated that "…when expected funds from bilateral agency and their dialogue continued for four months and the outcome was not supportive, Institute had to withdraw the staff who are engaged in the project and discontinue them by stating as it did not have funding for implementing the project… This way, we manage the cash flow problems…"

Accountant, TRISHNA Trust stated, "…German funding agency support is coming to an end in the middle of the year 2005 and the Trust does not know of availability of any alternative support as of now…Meanwhile, a few of the staff have been transferred to other corporate offices well in advance i.e. six months before the completion of the project, to manage the current cash flow problems. The remaining staffs are told to look for new jobs as they are not sure of continuation of the 'Apni Yojana' project…"

The above case studies show that approval can be withdrawn, and there is no guarantee of the financing for continuing the activity. This leaves NPOs uncertain and in a dilemma about how much of the start-up activities they should undertake and/or whether to continue the activities. This creates a cash-flow problem. NPOs have to continue or sustain the activities, including the rent for the premises and the salary of the staff in order to fulfill the organization's mission and meet the overall service expectation for ensuring future grants. These delays reflect, in part, the fiscal constraints under which the funding sources themselves operate. ODA agencies usually cannot finalize the grants and assistance until their own appropriations have been established by the respective legislative bodies, or they themselves have received formal notification of the grants by other levels of donors.

Furthermore, a detailed analysis of the organizations' budgeting system revealed, while assessing the financing patterns, on the basis of which donors had accepted the funding level originally proposed by the NPOs. In the present study, a comparison has been made of the amount contained in the original proposal and the final amount that the donor actually paid for the project implementation. Table 5.2 shows the gap between the requested amounts at some point and the actual amount. This was particularly large for HSOs - a cut of 50 per cent followed by

SSOs (20%) and CDOs at the other extreme, a cut of 15 per cent due to some of the revisions involving technical changes, or NPOs' own fiscal constraints.

Table 5.2: Proposed Vs Sanctioned Grants, Case Study Organizations

Category of Organizations	Requested (in Rs.)	Sanctioned (in Rs.)	Difference (in Rs.)	% Gap
SSOs	31909000	26515250	5393750	20.3
HSOs	40198443.53	26798962.35	13399481.18	50.0
CDOs	1314519	1120703	193816	14.7

These differences coincide with the distinctive strategies with which the organizations approached their funding sources. SSOs appeared to pursue a pattern of accommodation. They sought to build credibility for their programmes and for themselves as responsible, cooperative funding corporate partners by seeking detailed information from the donors about what level of funding would be appropriate and possible. Although these SSOs are run by corporates, it is argued that the actual costs often exceeded the funding levels. They accepted the donors' suggestion and used them in developing their proposals. Since SSOs are run by 'profit-turned-non-profit' organizations, they increased their own certainty about the actual level of funding they would obtain and reduced potential sources of conflict with the donor, as they could manage from their own financing resources. The average loss is quite high for SSOs (about 38 per cent), HSOs (36 per cent) and CDOs (14 per cent) because of the NPOs' difficulty with educational and training programmes and because they ended up with only a fraction of the clients/beneficiaries it had originally proposed under the (proposal) financing agreement. The latter was consistent with other national patterns, but it also reflected unexpected competition from any other organization that might decide to serve the same population. However, an equally large population was not provided the services (expected) at the proposed funding level. This shows that several concurrent activities required during the operating and reporting phases impose their own management demands and contingencies.

However, the study CDOs pursued very different strategies. The average size of their final amounts was 15 per cent low had originally requested for their proposals. All had routinely submitted proposals that substantially exceeded by as much as 100 per cent the amounts they were currently receiving for the same activities. They rarely got such increases. In each case, only one proposal was accepted at the proposed funding level.

"…Though UDAY Society is not interested in receiving government grants, as they create mass awareness about the Public Distribution System to the slum population and their rights, it accepted the office space from the government to run the activities. This is the biggest support from the government that reduced the 20-25 per cent of the expenditure of the organization such as rent, operation costs such as electricity, water, etc., and encouraged us to carry forward the activities when we did not have support…" Head of the organization narrates.

He adds, "…At the same time, formation of Self Help Groups (SHGs) and their savings supported UDAY Society when it was in crisis. SHGs have been meaningful and supported salary of three of our staff through its bank interest. In other words, from the beginning, it was told to the groups that 20 per cent of the interest would go to the Society staff and, currently, the savings of the groups are Rs. 9 lakhs and it is expected to lead to self-sustainment…"

In the case of AATMA Institute, which was running in a rented space, it has been supported by the funding agency to purchase the new office building. In this way, the donor agency supported 60 percent of the total cost of the building of Rs. 2 Crores. However, "…we rely mostly on community support like fees that is charged in adolescent center and the clinics for carrying on the activities..." one of the SPMs says.

Programme Manager, SADHANA Center stated, "...marketing of chairs produced by the community helps us in times of uncertainty..."

This showed that the organizations managed cash flow problems by adopting alternative means of community financing and donations to cover the programme expenditure. The above case studies reveal that requests for high funding levels documented the actual costs of programme activities and established the organization's capacity to undertake significant levels of programme activities. The NPOs themselves requested the line-item adjustments within the overall grants. The interaction with Heads of Finance showed the latter also served to legitimize the organization as an important key player in the community. In addition, requests for high funding levels placed the organization in an advantageous position, should extra funding become available, because the donor might simply go down the list of those with claimed capacity for expansion. Furthermore, analysis of individual organizations also revealed that NPOs rely extensively on community financing and donations to cover the programme expenditures or combine several line-item grants for one service area. Otherwise, they cannot recover the full grants and reduce or eliminate salvage. The strategy protected the organization against hard-luck stories of competing organizations by demonstrating that it had substantial funding gaps as well. In general, the strategy is much more confrontational than the one of the profit-turn non-profit SSOs. The two types of strategies match the different organizational environments in which SSOs, HSOs, IGOs and CDOs operate. However, the fit is not perfect.

The cash-flow problems became furthermore complicated due to non-up-front payment of donors to meet ongoing expenses. The analysis of the case study organizations showed that seven out of one donor provided upfront payment i.e., 1:7 provided any advance payments to support NPOs meet ongoing expenses up-front. However, even if referred to as advance payments, they rarely are. That is because financing sources in most cases do not authorize advance payments and heads-Finance do not release them until the programme proposal is approved and the agreement has been finalized. As we have seen in the above section, proposals are rarely approved much in advance for the programme start, and agreements almost never are. As a result, up-font payments may arrive several months after the programme started. SSOs are in a much more comfortable position to manage the funds and run the programme while HSOs utilized their corpus savings. But CDOs borrowed funds commercially, using their official award letters as collateral as opposed to IGOs, which approached banks for loans.

Donors who generally approve of performance contracts, by their very nature; delay payments until after specified goals have been achieved. Some donor organizations' system of pre-auditing all expenditures necessarily results in payment delays for the recipient NPOs. These delays, of course, are in addition to the time lag that NPOs encounter in obtaining the required documentation for clearance. The payment may not arrive until seven to twelve weeks after the organizations have incurred the expenditures.

Thus, the structure of management efforts these funding relationships impose are likely to vary significantly among NPOs. This is understandable because most of the dimensions reflect donor-imposed requirements over which individual NPOs have little control. The requirements hold, whether the NPOs rely primarily on grants, donations and/or community financing. They hold whether the organizations have a history of financing stability or turbulence. These challenges appear to be endemic to grants, in particular to performance grants and assistance which need much planned monitoring and correction procedures to secure funds on a piecemeal basis.

Evaluating Performance and Correction Procedures

As NPOs mature, it is inevitable that they will come under greater scrutiny from donors. Patterns of expenditure, programme content and organizational issues are likely to come under increasing scrutiny. Many donors have already begun to demand that NPOs conduct evaluation studies with several criteria such as poverty reach; local participation; replicability; flexibility and innovation and sustainability. If the amendments are imposed with these criteria, – the NPOs have to quickly determine what the consequence will be, as for example, whether they may contribute to an overall budget deficit. If so, they need to tighten cost-control or intensify fund-raising efforts. For this, NPOs must monitor their own efforts on an ongoing basis, to determine whether any contract amendments are likely to be needed – particularly, whether cost-control efforts or other such developments endanger the organizations' ability to reach their performance goals.

AATMA Institute has been supported by AAid for the last seven years for the project "Integrating Developmental Through Holistic Approach by Adolescents". From the review of the project reports, it was understood that Institute was able to bring the adolescents for health education but failed to involve them in the developmental activities. Despite repeated advice from the AAid project team, Institute is not able to fulfill the objectives or create a space for adolescents. These issues were brought up once again through mid-term evaluation findings i.e., after 5 years. Failing to accommodate and improve the performance of the project, AAid cancelled its agreement of supporting from 12 years to 7 years. AATMA Institute's Head of the project said, "…donors have their own agenda… and it is difficult to fulfill their dream…"

In the case of JYOTI Foundation, Alliance supported a project for improving health care among labourers…through health education, knowledge building, providing clinical services, building referral system, creating a welfare committee in each company and introducing savings culture among the employees of the company. Review of the project evaluation reports and interaction with staff, it is understood that Foundation is able to form a committee and introduce savings culture though it conducted other activities without the involvement of the people such as creating trainer of trainers among the beneficiaries, building referral system, peer group formation, linking the savings group with the bank, etc., which created havoc in the project… the critical line was, JYOTI Foundation did not understand the importance of people's participation and implemented their own project of in the last two years. It has been noted that donors straightaway warned JYOTI Foundation for not accomplishing the activities according to the project objectives.

Just a day's notice, the donor withdrew the funding support to the Foundation, from a five-year commitment to two years.

"we are in a state of shock…",, says the Executive Director.

Therefore there is a need for conducting proper assessment of programme and organization performance with the one proposed to the donors, because the donors compare these estimates with the actual performance as one way of measuring the agency's effectiveness. Failure to accomplish the proposed programme activities might lead to non-renewal or reduced grants and assistance. In this regard, the monitoring involved in submitting required information on time and in appropriate formats imposes high data management burdens on the NPOs. The organizations have to devote considerable efforts to develop and maintain accurate and up-to-date data files, according to the donor's requirements. In principle, this would seem to constitute a challenge that any organization must meet in order to track its own performance. However, it has been noticed that this kind of monitoring is applicable only to those grants and assistance that the NPOs have received and certainly not for the donations.

These data management problems are of immediate concern to NPOs that rely on a variety of restricted funding sources or whose funding sources change over time. However, they also raise a number of important policy issues, especially of the social service field such as poverty alleviation, health, and education and training. Many SSOs and HSOs combine funding from several different sources to serve the same pool of beneficiaries. The lack of standardization in monitoring and evaluating procedures means that neither NPOs nor donors or policy makers will be able to assess the joint impact of different policy initiatives. Nor will they be able to develop or monitor integrated or coordinated service efforts across a range of different problem areas. At best, they may be able to determine some limited accomplishments of a particular programme.

Handling Coordination, Uncertainty and Transaction costs

Managing the grants and assistance received by NPOs requires several kinds of technical expertise, as we have seen in the above section. It also creates practical problems for NPOs and closely related contingencies for donors. From the study organizations, we have seen several issues relating to fiscal contingencies, personnel turnover, and ambiguities in developing clear understanding of donor expectations. This section explores the fiscal contingencies and management uncertainties, which feature in the transactions for both recipient and donor organizations. Some of the costs are obvious and well recognized. Others are less apparent but occur when the restricted funding system encourages NPOs to operate with disjointed decision-making structures that impede strategic planning. These issues have important implications for the donors, especially government agencies, and raise closely related questions about the cost and effectiveness of the broader structure of social development partnership and its subsequent benefits.

Fiscal contingencies

NPOs encounter a variety of fiscal contingencies in managing restricted grants and assistance. As noted in the above section, delays in finalizing the contracts mean that organizations cannot bill for their services until they receive the legally executed agreement. Even after the agreements, NPOs must wait as much as 5 - 9 weeks before receiving payments for the services rendered. The delayed payment results in major cash-flow problems. The study found specific evidence of these problems from an examination of monthly cash-flow data and cumulative cash balances over the fiscal year and from an analysis of accounts receivables over the same period. All case study organizations maintained records on a monthly cash-flow basis. However, cash receipts fluctuated unpredictably and widely.

Review of accounts statements and receipt and payment bills revealed that AATMA Institute averaged Rs. 114000 in monthly cash receipts over the one year period, but received only Rs. 60400…". However, the activities have been carried out by using more flexible funding to supplement the efforts that are mandated under the grants and assistance, in the hope that the agreement might renew or extend grants for subsequent programme periods.

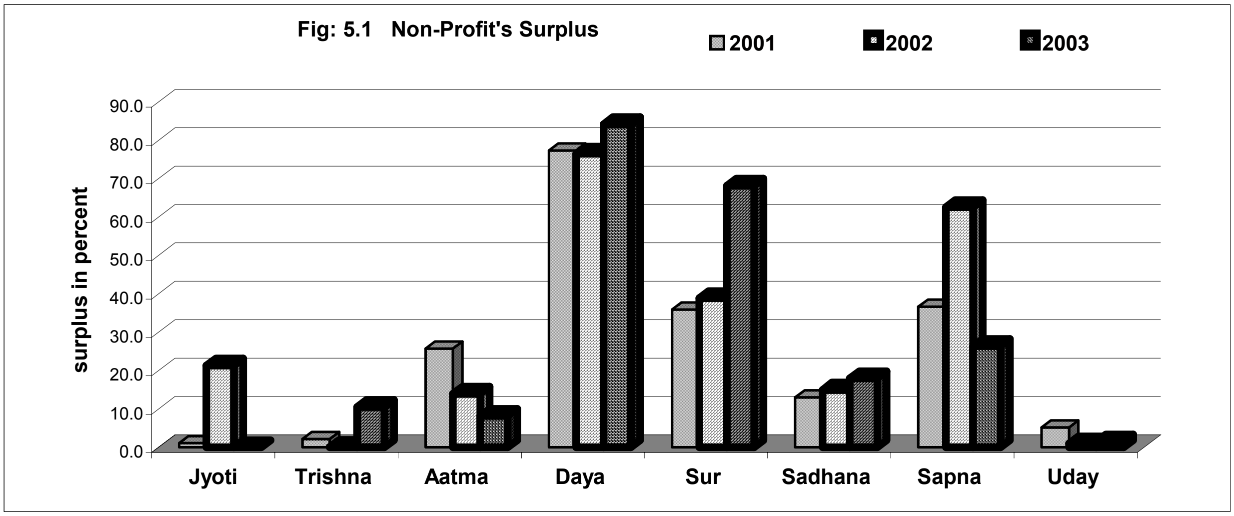
Finance Manager, JYOTI Foundation stated, "...there have been considerable fluctuations in the cash inflow into the organisation during the early part of the fiscal year...However, in the initial stage, we have to manage within our funds...".

This showed that the organisation either had sound financial support or looked out for alternative mechanisms such as donations, surplus, etc., that helped to overcome the cash flow problems.

Head of the Organisation, UDAY Society, expressed, "…Once we were forced to postpone the project activities under the CARE funded project as the payment was delayed..." This showed that organisations, which do not have adequate financial backup, have to withhold the activities to meet the delays in cash flow.

One of the field staff in SADHANA Center stated, "...When we do not have money, we take advance from our customers who place orders for the products well in advance..."

The above case studies show how the pattern of cash receipts might affect the NPOs. The response is mixed among the NPOs we have seen. The data reveals HSOs and IGOs managed the fluctuations and delay in payments through generated surplus that ranged between 45 to 51 for HSOs and 25 to 43 for IGOs. This is followed by CDOs and SSOs (Refer Table 4.2). Though the data shows that aggregate surplus is less for SSOs but it is not true in the case of individual SSO analysis. For instance, JYOTI Foundation showed considerable fluctuations during the early part of the fiscal year and much greater stability over the last five months of the fiscal year. As a result, the JYOTI Foundation ended the fiscal year with a surplus of 11 per cent, equivalent to nearly one-fifth of its total income from donations (Figure 5.1).



In the case of HSOs, those who depend on grants and donations faced major fluctuations in percentage of surplus whereas on the other side HSOs that relied upon user fees and service charges reported positive concession about the surplus increased (77% in 2001 to 84 in 2003) (Table-5.3).

Table 5.3: Available Surplus against Annual Expenditures, Non-Profit Organization 2000-01 to 2002-03

Name of the Organisation	2000-01	2001-02	2002-03
JYOTI Foundation	1.0	21.3	0.0
TRISHNA Trust	2.1	0.1	10.5
AATMA Institute	25.7	14.0	8.2
Daya Trust	77.3	76.5	84.2
UDAY Society	5.2	1.0	1.5
SAPNA Project	36.7	62.6	26.4
SUR Foundation	35.9	38.8	68.2
SADHANA Center	13.0	15.0	17.9

Table 5.4: Average Yearly Receipts for Study Non-Profit Organization

Name of the Organization	Average Yearly Receipts (in percent)
JYOTI Foundation	10.7
TRISHNA Trust	1.7
SSOs	**5.3**
AATMA Institute	15.7
Daya Trust	67.9
HSOs	**20.4**
UDAY Society	14.2
SAPNA Project	7.4
CDOs	**42.1**
SUR Foundation	56.8
SADHANA Center	2.3
IGOs	**12.9**

Though the table shows less average receipts for SSOs however corporate run SSOs managed to have adequate surplus over the last five years. Given their substantial reliance on grants, most of them were directly tied up with expenditures. Moreover, SSOs also received substantial donations, which did not require documentation of expenses, but only service outcomes and were accounted mostly as grants. Possibly a part of the costs of delivering these services might be covered by other grants. However, stable outlays are not surprising, since personnel costs account for the bulk of the expenditures for SSOs. For instance, SSOs personnel costs accounted for at least 35-43 percent of the total expenditures followed by HSOs for 24-43 per cent, CDOs for 19-59 per cent, and IGOs 9-46 per cent (see Table 5.5).

Table 5.5: Personal Cost against Total Expenditure, Non-Profit Organization 2000-01 to 2002-03

	Personal Cost (in per cent)		
Name of the Organization	2001	2002	2003
JYOTI Foundation	39.0	31.5	42.0
TRISHNA Trust	45.0	40.0	42.0
AATMA Institute	26.1	26.2	30.7
Daya Trust	54.4	54.0	50.3
SAPNA Project	58.8	35.9	59.2
UDAY Society	32.9	20.5	40.6
SUR Foundation	12.9	17.2	9.4
SADHANA Center	45.0	46.0	45.8

Cost and Benefits of Personnel Turnover

It was found among the case study organizations that they used staff turnover to deal with cash-flow and other fiscal constraints. In some cases, organizations had to fire the staff when the grants were reduced, or cut altogether, and/or they exploited staff resignations.

"…The partial withdrawal of the AAid support made us cut down our operational costs and we were able to manage the operational costs/fund flow by asking a few staff members to resign due to non-availability of funds…" says Director, AATMA Institute.

"...currently, we do not have adequate funds, but we are able to manage the operation by asking our staff to conduct tuition classes and promote more savings among slum dwellers which would give more interest that would meet the salary of the three –four staff. This could be a big relief for us… otherwise, it is difficult to manage the staff salary and maintain the fund flow…" says the Head of the organisation, UDAY Society.

At SADHANA Center, "...we strongly follow the 'lay off' culture…whenever we are in a crisis in managing funds or there is delay in receiving funds, we give lay off to the staff. For instance, SIFPSA delayed the funds and we did not receive them for more than a month, what to do? We gave lay off to the staff for 15 days and extended it till we received funds (another 5 days more)…" says Executive Director.

At JYOTI Foundation "...we face high staff turnover and, because of that, we have large balances at the end of the year …Due to this, we have more cash in our account and do not face any fund flow problems…" says the Finance Manager.

Careful analysis of these organizations' monthly expenditures revealed misuse of the salary of those who left the organizations in the form of consultancy assignments given to someone and/or somebody shown as appointed in his/her place to carry out important activities that did not get done. In a real sense, the other staff members of the organization were given or had to accept more responsibilities than they were able to handle effectively. However, using staff vacancies in this manner is a tempting strategy because ongoing personnel costs account for the bulk of the monthly outlays and cannot easily be postponed or ignored otherwise.

Interaction with the Heads of NPOs revealed that sometimes they rely on staff resignations as one of the mechanisms by which they match staff skills with the changing programme demands associated with grants and assistance.

Director, AATMA Institute says,"…during our SIDA review, it was brought to our notice that the staff skills are not upto the mark. With that comment, we started telling three of our staff to look for a job elsewhere as their skills were not matching the project needs or improving the performance of the project…"

Director of SADHANA Center, "...if we need to improve the programme performance or change in the demands in the projects, we need to change the staff. As we belong to a corporate body, we believe strongly in not renewing the contract of non-performing staff…"

Program Manager, TRISHNA Trust stated, "...the moment we find that the staff and their skills are not suitable to the project or our organizations needs, we just take 15 minutes time to settle the complete payment, including the accounted fringe benefits..."

Head of the organisation, UDAY Society, says, "...if there are no funds or the staff requirement is not suitable to the project needs, then we ask them to look for other opportunities..."

The high cost of personnel turnover or curtailment of staff generally characterizes measures to meet cash flow problems and they were noticed among all study organizations. But, these organizations failed to understand that turnover is costly in terms of finding and training new staff and may become an additional cost of the managing functions which might question the organization's strength and its performance for future grants and assistance.

Coordinating the Donor's Voice

In-depth discussion with Head of NPOs, specifically reflected why they use staff turnover as a strategy for managing the cash-flow:

The researcher's experiences show that, '…if you are milking, you need to dance and/or sing according to the cow's tune…' This single statement explains that is what all NPOs do for sustaining themselves.

According to Executive Director, AATMA Institute, "...the removal of staff or changing the staff is a strategy. This is in general in tune with donor's demand or requirement for matching the skill. Whenever, we adopt this kind of strategy it means taking a breath from troubled cash flow / fund crisis. We might ask some of the other staff in the organization to take the additional responsibilities for the time being, without giving any increments/incentives…"

He adds, "…if we can satisfy our donor, we can also show 100 per cent utilization of funds, even though the staff were not there for two or three months or till new staff were appointed…"

Numerous revisions in the proposals and contracts introduce a layer of complexity and ambiguity in the relationship between donors and NPOs.

Executive Director, SAPNA Project says, "...the time, energy and resources spent on writing a proposal and making numerous changes need to be compensated through various means. After signing the contract also, there are changes. We at the receiving end, accept those modifications even though those condition are put up in the agreement…of course, marginal financing support is available for the efforts… "

Program Manager, TRISHNA Trust says, "...we try to give a modest budget, with 30 per cent overhead charges… While making changes in the proposal, donor makes changes in the budget. Sometimes, the donor may or may not pay the expected financing, but we do accept their changes with modifications after signing the agreements. And, it is mutual understanding…"

Managing Director, SADHANA Center explains, "...After lay off to the staff, the fund utilization has been shown as 100 per cent to manage the cash-flow problems and delayed funding. We never tell the donor about staff turnover or lay off. These condition are obstacles in carrying out the projects…"

Frequent revisions in proposals and reporting requirements reflect more general patterns of accommodation and informal understandings between donors and NPOs. There appears to be more or less implicit understandings about acceptable shortcuts or solutions that the NPOs could take without the likelihood of being challenged.

As examples from the case studies show bargaining and informal accommodation do not end once the agreement is signed, but continue throughout the programme period. Donors are promoted by the pattern of unpredictable enforcement and monitoring efforts that most restricted financing sources practice, directed mainly at fiscal accountability and technical compliance with reporting obligations.

In fact, these kinds of forced practice or service performance motivate NPOs to take advantage of or compensate for revisions and for the subset of activities they fund. In fact, most funding sources had only sporadic contact with the NPOs they supported and had limited opportunities to ensure compliance with their own requirements. Therefore, NPOs try to show cent percent utilization of the funds that have been received and do not want to show the staff turnover as one of the obstacles to grappling with the funds that are allotted. This kind of management certainly helps in overcoming the cash-flow problems.

However, many of the staff members whom the researcher interacted with said that these practices were of long standing and that they had sought to alert the donors about the problems on several occasions. But, the donors did not act to investigate the charges. Thus, informal understandings about what level of accountability is possible and acceptable are likely to develop among the respective parties, because they are informal and perhaps unspoken, such understandings or other reasons without recourse to an appeals process for the organizations involved.

Transaction Costs: The Cost of Doing Business

All NPOs, irrespective of their category, engage in a wide variety of transactions on a continuous basis. External transactions occur when the organizations obtain the necessary resources to conduct their activities, and when they seek to shape an appropriate market in which to dispose of products or services (Bennet and DiLorenzo,1989). Transactions also occur within organization when goods and services are transferred across organization units (Williamsaon, 1981). All transactions involve costs because they require time and effort to undertake. This may also result in conflicts, misunderstandings, and other malfunctions that impose additional costs and delays (Hartogs and Weber, 1978). In this section, the study tries to focus on costs attributable to the transactions that occur when NPOs provide specified services in return for financing, especially government grants and ODA. A full accounting of these costs is essential if one is to assess the impact of increasing privatization of government services in India. To develop a clearer perspective on these costs, I divided the costs into direct and expected costs, opportunity and other costs, and uncertain, unexpected costs.

Cost Sharing: Direct and Expected Costs

In the recent past, the donors have started to demand NPOs to make equal or additional financial commitments from their own resources to the programmes or services for which they receive funding. The reasons they do so range from their own budgetary constraints to sustaining the social benefits. The financial commitments demanded of NPOs, on the other hand, are to operate the programmes more effectively and efficiently and fulfill their philosophical mission. However, the financial commitments demanded of NPOs may take a variety of forms, ranging from a specified percentage match as a condition for the agreement to provide supplementary services, exclusion of non-allowed expenses, limits on certain allowed expenses, to unit costs in purchases of service agreements that fail to cover known costs. Although these may not be transaction costs in the formal definition of the term, they are all direct costs of accepting a given grant and assistance and should be considered as such. As we have seen in the above sections, all the NPOs indicated that the services to be provided would cost more to deliver than the grants and assistance that were received. The difference constitutes the official match and it should be specified from which sources the contribution would be met. Frequently, the specified percentage of financial commitments or equal or additional contribution appeared to come from community financing or other grants or donations at times, but not from the organization's contribution.

"…medicines are supported by individual or private donations. To sustain belief in the organization services, we promote the user fees concept to receive contribution from the community…" says Project Director-Health, SAPNA Project .

Reading the project documents of AATMA Institute revealed that it "received budgetary support for the medicines and the laboratory from AAid supported project. However, it also received medicines as donation, and community contribution through user fees and service charges"

Finance Manager, JYOTI Foundation says, "…we receive donations for medicines from corporate donors, but we account it as contribution to grants..."

"At TRISHNA Trust …fulfilling the grants condition, such as organizational contribution, we mobilize contribution from the community and show them as organization contribution to grants. For instance, in the German funded infrastructure development project, our organization is supposed to contribute 20 per cent of the total project cost...however, we were able to collect it through community contribution in the form of cash, kind and labor..." Program Manager says.

"…received individual or private donations or contribution from abroad for the activities carried out in the rural agricultural development area. But, till the funding reached the community, it has been shown as family contribution…" Executive Director of SUR Foundation said. But, in real sense, the organization plays an intermediary role in collecting donations and passing them on to the local organization.

This shows that there were several instances where NPOs changed the cost accounting in successive versions of the same proposals or where certain costs and resources were included in one funding cycle and excluded in another for the same programme. The reasons for these variations were not always obvious. Interaction with the Heads of NPOs further revealed that cost sharing has an advantage in negotiating increases in the grants and assistance and also maintaining their competitive edge vis-à-vis other service providers. Indeed, NPOs may not be able to accurately determine the true amount of cost sharing they would provide. In other words, deliberate efforts to underbid competitors are presumed to be common in the NPOs in order to ensure long-term benefits, or other explicit advantages.

Opportunity and Other Intangible Costs

In addition to direct and indirect costs, the grants and assistance impose a parallel set of transaction costs that are less certain and more difficult to document or estimate. Some are specific to new projects: finding new space for official setup, hiring and training staff, establishing new procedures including documentation and reporting, developing a client base, and solving the unanticipated problems that always take place in the implementation of activities. To compute the costs of these activities requires documentation of the staff time and direct expenses necessary to complete these tasks in a timely fashion. Larger organizations like SSOs and HSOs most likely assign specialized staff to these activities and recognize them as direct and expected costs. The more typical and medium-sized organizations, CDOs and IGOs, examined here found it difficult to cost the amount of staff time devoted to specific tasks. Few of them could do so without imposing additional data management costs; they seem to largely ignore or discount the costs. There are also opportunity costs in the form of other funding sources that are not pursued because of the demands imposed; uncoordinated planning, and efficiency costs because of the restricted grants system or donor conditions, which may prevent an optimum allocation of resources.

Table 5.6a: Opportunity and Other Intangible Cost (in per cent) for Case Study Organization, 2000-01 to 2002-03

Name of the Organization	Salary Cost			Fringe Cost			Infrastructure Cost		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
JYOTI Foundation	41.9	31.4	42.0	0.1	--	0.1	--	--	--
TRISHNA Trust	42.9	35.3	38.0	2.1	4.7	4.1	0.1	0.2	0.2
AATMA Institute	23.7	25.2	29.8	2.4	1.0	0.9	2.9	2.9	3.2
Daya Trust	42.8	41.1	39.4	11.6	12.9	10.9	--	--	--
UDAY Society	58.1	35.4	58.9	0.6	0.5	0.3	--	--	0.2
SAPNA Project	29.4	18.5	35.6	3.5	2.0	5.1	1.1	1.0	2.2
SUR Foundation	12.4	17.0	9.3	0.5	0.2	0.1	2.2	2.8	0.5
SADHANA Center	44.0	46.0	45.0	1.0	--	0.8	--	--	-

Table 5.6b: Opportunity and Other Intangible Cost (in per cent) for Non-Profit Organization, 2000-01 to 2003-04

Costs	Total Expenditure In Rs.	Fringe cost In Rs.	% Fringe cost	Salary In Rs.	% Salary cost	Rent In Rs.	% Rent cost
			SSO				
2001	66629648	1109396.7	1.7	28465413	42.7	59417.63	0.1
2002	50443510	1664497.4	3.3	18512907	36.7	64407.63	0.1
2003	50891442	1261865.1	2.5	20127779	39.6	58217.63	0.1
Total	167964599.9	4035759.13	2.4	67106099.7	40.0	182042.89	0.1
			HSO				
2001	23073915	796844.78	3.5	5969566.7	25.9	591075	2.6
2002	31004154	618874.62	2.0	8237398.1	26.6	823336	2.7
2003	34291725	651284.47	1.9	10563763	30.8	1001467	2.9
Total	88369794.47	2067003.866	2.3	24770727.4	28.0	2415878	2.7
			CDO				
2001	5887316.5	159575.75	2.7	2184869	37.1	48000	0.8
2002	12114778	211949.56	1.7	2629149.5	21.7	95900	0.8
2003	8746649.5	326267	3.7	3680003	42.1	142080	1.6
Total	26748743.55	697792.31	2.6	8494021.5	31.8	285980	1.1
			IGO				
2001	5654087.79	28695.1648	0.5	758005.25	13.4	120000	2.1
2002	13601534.85	20357.5	0.1	2983443.5	21.9	316000	2.3
2003	42323849.95	62396	0.1	4850938	11.5	204947	0.5
Total	61579472.59	111448.6648	0.2	8592386.75	14.0	640947	1.0

On the other hand, most of the management tasks that the restricted funding system imposed on the study organizations consists of preparing and submitting different types of information to the donors. The financing sources, particularly grants and assistance, demand this exchange of information as a condition for making the awards in order to track the activities of the service providers and plan their own activities. Establishing and operating such an infrastructure constitute the direct expenses (salaries), expected costs (office space, infrastructure) and indirect costs (fringe benefits, supervision) that the transactions impose on the donors (see Table 5.6a, 5.6b). The tasks and their associated costs may vary a great deal, depending on the grants sanctioned. However, it has been noticed that the study organizations that manage these tasks are difficult and limit the transaction cost. The costs are higher, if performance levels are difficult to measure because, then, monitoring must be more intense.

In addition to these direct costs, the restricted grants and assistance also imposes more indirect and less certain costs on other donors. These are likely to be similar to those described for NPOs. For instance, increased direct costs that were not sanctioned by the existing donors were managed by submitting a new proposal for the same kind of staff with modified activities for the same project area from other donors. In the real sense, not changing the geographic and population coverage but modifying the activities directly helps the NPOs to manage the cash-flow and create 'capital' or a 'corpus fund'.

Review of annual reports and interaction with staff in AATMA Institute revealed that it is running a project in Sangam Vihar with focus on integrating women in developmental activities through providing reproductive health care services, including ANC, PNC and Family planning services. In the same area, AATMA Institute has got sanctioned another project exclusively catering to preventing violence against women through improving their reproductive health status, which is supported by another bilateral donor. It is not surprising that doubling the budget, without doubling the staff has taken place. In other words, the staffs who are involved in the former projects carryout the later project components as part of their work. But, on paper, the same number of staff is shown separately for each project.

"…cherry-picking ODA projects do not support all the components of development as it is not their objectives. Because of this, we need to look for alternative agencies to support the other components in the same project area. For instance, agricultural watershed management has been supported by a bilateral donor, but they do not support animal husbandry projects. Now, we have the support of another multi-national donor for the animal husbandry project in the same area…" Managing Director, SADHANA Center, stated.

This shows that financing sources may also encounter other types of transaction costs that are even more difficult to recognize or compute, such as capital or corpus funds and how they have been created. Only a much more extensive and expensive monitoring system than exists currently could safeguard against the likelihood that NPOs, on occasion, mismanage funds and fail to perform, while doubling the budget.

Other inefficiencies originate with the long-term funding relationships that are especially prominent in the social service field, albeit with less prevalence in the community development field.

Executive Director says, "…AATMA Institute established a training centre with the support of multinational funding,. When AAid proposed sustaining the benefits through income generation activities, we demanded rent for using the training centre for its project purpose…because the central utilization is not part of the agreement...and, finally, we succeeded in getting it..."

Program Manager, TRISHNA Trust said, "…anganwadi centres were established with the support of the community…the community provided land and also 20 per cent contribution in the form of labour… space with 20 per cent contribution and the rest of the funding came from multinational funds...". However, review of balance sheets and account statements revealed that Institute is charging from the ICDS project for the rent of these Anganwadi centres.

This shows that well-established funding relationships of these types are difficult to break, as the case studies show, even if logic and performance assessments dictate otherwise. And, establishing relationship with new NPOs involves start-up costs for the donors who do not want to spend otherwise.

Hence, there is a need for thorough understanding of the costs involved in delivering public services. It would need to take into account not only the direct outlays for the services but also the transaction costs involved in managing the grants on both sides of the relationship. These costs are very difficult to determine, but they are likely to be substantial. To the extent that the costs on the non-profit side of the transaction are covered by donations, they involve indirect spending in the form of forgone tax revenues. When the transactions are with financing sources, NPOs in effect collect additional taxes from the donors to support publicly mandated services.

Intangible and overheads: Strategic planning and decision-making

The transaction costs associated with the restricted grants and assistance impose large overhead costs on NPOs that strain the internal administrative structures and threaten their decision-making process. At times, it may impede rather than promote strategic planning and effective coordination of activities at the service delivery level.

" … when the donor withdrew the overhead charges, we shifted the Assistant Director, who was Advisor to the project, to some other project, as we could not afford to keep a Senior Manager for a project where there were no returns…." Director of AATMA Institute enunciates.

"...the funding agency withheld the support during the project evaluation period. A couple of our senior executive staff who were a link between the project and the management were moved to corporate planning for special events, so that they would not be blamed for influencing the results of evaluation..." Executive Director, JYOTI Foundation stated.

Program Manager, TRISHNA Trust said, "...for identifying impact during the assessment period, we withdrew the Apni Yojna project staff from doing intervention and they were asked to concentrate on income generation activities..." During the evaluation period, when there is no cash flow from the funding agency, the organisation undertakes other activities to manage service delivery, and thus their sustainability.

AT SADHANA Center, Program Manager says "...as per our policy, senior management are not involved when the project is about to end (one year before) and it gets into promotional/fund raising activities…".

However, the case studies indicate that organizations differ in whether top management staffs are able to maintain close contacts with the service delivery system. This linkage is important if organizations are to transcend fragmented funding structures, coordinate services for the benefit of the clients and community, and ensure a close match between programme designs and programme executions. At the same time, reliance on restricted funding sources limits management discretion while multiple financing sources create problems of coordination. Diverse programme activities encourage specialization and related problems of coordination, while SSOs and HSOs accommodate a higher level of division of labour and specialization and require hierarchical structures both of complicate communication and coordination, sustaining the social action benefits as well.

The imperative of primary financing

NPOs that rely mainly on self-generated financing are relatively free from management demands imposed on them by others. However, their existing mechanisms for conducting income generation activities and their patterns of decision making they are require to accommodate other contingencies which need to be strengthened further. The case study organizations with primary reliance on fees, community contribution and product price showed systematic differences in decision-making structures that reflected the structural characteristics of their funding sources.

It has been observed that SADHANA Center relied on long-term institutional customers and had developed a highly structured hierarchical system of decision-making that matched those of the customer.

"...individual fee-paying (SHG/tuition) clients operated directly with a decision-making structure that was equally decentralized and flat…" Head of the organization, UDAY Society said.

"…we have got a decentralized system of functioning and have adequate power to take decisions to carry out the activities and invite community contributions and even promote voluntarism. For smooth functioning, we have created a clients-feedback system to improve the services…" Executive Director, SUR Foundation said.

Interaction with Chief Administrator, Daya Trust revealed, "…the decision–making process involves complex committees to ensure that all the tasks were completed…and needed numerous leadership positions to encourage volunteer participation with corresponding problems of coordination across and within the committees...However, beneficiaries are openly invited to provide suggestions and comments and, demand services.

Tasks may be numerous and demanding but top management and their leadership have full authority over the coordination and timely execution of tasks. They are influenced by external forces in how they resolve these challenges to the extent that they must attend to customer interests and demands. Otherwise, they cannot generate sufficient revenues to stay in their chosen activities. However, well-established customer relationships of these types is difficult to break. As the case studies show a strong internal system of communication, with customer feed-back mechanisms direct the organization appropriately. Indeed, the organization that relies on self-generated financing requires such behaviour, on the one hand, as a condition of establishing and maintaining the relationship. On the other hand, organizations that rely on one single (SADHANA Center) corporate relationship or homogeneous set-up of companies faces externally imposed demands of these types, but only one set of demands. This can be overcome and it is easy to maintain the relationship. As Baum and Oliver (1991) conclude, NPOs that develop and maintain institutional linkages benefit from the legitimacy that these linkages provide and increase their likelihood of survival. This suggests that NPOs with a narrow, top-down channel of communication provide a few opportunities to develop a second layer leadership and to exert influence over the organization in the long-run. This questions the degree of the social development partnership and commitment towards sustainability of the organization and activities as well.

Coordinating Multiple Donors with diverse programme

The problems of coordination and adequate attention to financing sources, demand or need become especially difficult in larger organizations such as SSOs and HSOs. They tend to have multiple financing sources and diverse programme activities. Simply by virtue of being large, they have accumulated new financing sources as they grew in size and the financing sources favoured them as well. By virtue of having multiple financing sources, NPOs generally operate diverse programmes. That is the easiest way of ensuring that the various donor requirements are met in a timely and appropriate fashion. However, size encourages further specialization and the establishment of staff with decision-making powers to have control on the programme. But, only a few study NPOs with multiple financing have created organizational structures that mirror or coincide with the specific donor's requirement.

AATMA Institute has multiple financing sources and has multiple hierarchies too. Senior level managers and above are expected to handle two-three projects, while others are not. This shows that the organization has multiple programmes.

Daya Trust has a departmental system and handles service delivery in each department. According to the Head of the organization,

"this avoids confusion for the donor and it is easy to evaluate the performance of the organization at each departmental level"

In the case of TRISHNA Trust, "Except for a few middle level staff whose role basically is marketing and liasioning, all the other work in all projects, however, their salaries are drawn from various individual projects..."

Most of other study NPOs has a dual structure that allows the agency to manage distinctive reporting requirements with relative ease. But, it impedes coordination of service activities. These problems appear to be much less prevalent in CDOs and IGOs. In these organizations, Heads frequently provide direct services in addition to performing central administrative functions. Although these conditions do not guarantee coordination and effective decision-making, they do facilitate the achievement of such goals of the programme within the limits of available resources. Of course, multiple responsibilities of this type may also prevent these NPOs from developing a high level of 'grantsmanship' or operating services as efficiently as possible. Moreover, the focus on a narrow target population residing in a single local community means that there are no natural administrative units for the agency as there were for other organizations participating in the study or for most large organizations. In fact, several of the Heads whom we interacted with complained about not being able to devote sufficient attention to these efforts.

Problems of coordination become both more difficult and less immediately pressing if diverse programme and funding structures target non-over lapping target populations with distinctive service needs. This is not the case for all, particularly for SSOs and HSOs. Although HSOs and SSOs operated diverse programme components and had multiple financing sources, all of these were directed at the same client population and both agencies emphasized the need to coordinate the services across the programmes and financing sources. In addition to this, the Heads of organizations viewed centralized control as essential for managing the organization's complex operations and funding system. However, it also served to confirm and protect his/her position within the organization. For instances

"three funding agencies are supporting one project area for adolescent development among the slum population …"says AATMA Institute Director. My interaction with the staff revealed that only the Manager is clear about what he/she is doing while the Programme Officer level and below, there is no clarity as such about the work subsequent cross interaction with the Executive Director revealed, "…multi-financing organization requires a centralized approach; otherwise, we will not know who is doing what…"

JYOTI Foundation receives a large number of donations and organizes many special events including health camps. Though they have grants and assistance for specific projects, they implement them holistically. Programme Officers are not aware of which programme they are engaged in and all the activities are done without any coordination with their local counterparts such as local organizations, panchayat raj institutions, etc. Due to this the impact is not visible. Though Foundation has very much adopted a centralized approach, it is a corporate supported social service organization.

In the case of UDAY Society: the focus is on a narrow population residing in a single slum community. This means that there are no natural administrative units to take decisions or coordinate. "…Heads of the organizations are responsible for coordinating, fund raising and accounting… In other words, Heads are all-rounder…" says the Head of the Organisation.

The above case studies illustrate in general the overlapping of the funds and staff for various programme activities without any clear-cut job responsibilities. Contrarily, such diversity encourages NPOs to develop a corresponding level of staff specialization or division of labor in order to ensure that the necessary tasks are performed. Diverse programmes of this type provide a logical framework for establishing an organizational structure with a horizontal list of distinctive programme components, but with few tiers and few management functions allocated to specialized staff. However, unless coordination occurs among programme areas, the organizations may easily end up with unrelated activities that might question the survival of the organization. The result may be not only lack of planning at the organizational level but also failure to meet financing sources needs for comprehensive and integrated services.

This also demonstrates the additional problems of communication that some NPOs may face if they serve client populations with distinctive cultures. On the one hand, Heads of NPOs controlled key decisions and most interactions with funding sources, except for those related to specific service issues. The lines of communication were short to the various programme activities, and the Heads managed most grants and handled most fund raising activities. The board appeared to participate only sporadically in fund-raising and public-relation efforts, and the Head was the only staff member to attend the board meetings. A fluid, shifting structure allowed the Heads of the organizations considerable flexibility in portraying the organizations' activities, and the marketing strategy discouraged the development of a more formalized structure. In spite of these structural advantages, on the other hand, the Heads of organizations faced considerable difficulties in maintaining strong lines of communication with programme activities and were limited in their control over decision-making. Due to this, staff members had few opportunities to participate in programme development and board members could not easily develop detailed knowledge of programme activities. Not only that, centralized control over resources relations and communication allows NPOs to meet the demanding time constraints that the restricted grants and contracts system imposes and also limits the organization's contacts with a few resource relations. This also raises questions about the sustainability of the organization in terms of social development partnership as well as the social action benefits.

Overall, none of the study organization reflected a 'client-driven' process of decision-making. This demonstrates the coordination efforts requiring a high level of commitment and investment, which is generally viewed as highly desirable but is rarely accomplished. In other words, multiple financing sources with restricted grants and assistance pose major challenges to NPOs and create uncertainty and ambiguity that easily lend themselves to goal displacement and may compromise NPOs mission and vision. Furthermore, NPOs must coordinate the large number and timing of management tasks, survive fiscal contingencies, especially cash-flow problems, weigh the costs and benefits of personnel turnover, effective planning and implementation, and negotiate informal accommodations with financing sources. In spite of these costs and challenges, the grants and assistance appears to be well entrenched among NPOs. However, the complex transaction costs for both NPOs and financing sources have important implications for the nature of social development partnership and social action benefits as well.

Chapter Six

Sustaining the Social Development Partnership: Concerns and Challenges

NPOs address a number of general challenges in order to manage effectively their financing relations and other sources. These challenges include whether sustainability is desirable and achievable; how to sustain the social development partnerships; and how to position the organization with a clear mission and vision with the changing community needs. Sustaining the social action benefits need a long-term organizational direction, dynamic leadership, a strong image and committed staff. It is about programme planning and monitoring, provision of services valued by the community and community level capacity building. Without these, one will not be able to generate sufficient resources to sustain the programme benefits. Financing is necessary, but is not sufficient to sustain the social action benefits. This chapter concerns the interdependence between institutional, programmatic, and financial aspects. Each aspect is critical to enhancing the social development partnership and sustaining the social action benefits. These are discussed in the following sections.

Sustainability: The differences and perceptions

Before discussing the institutional, programmatic and financial aspects towards social development partnership, it is necessary to understand the NPOs thinking on sustainability, why it is a desirable state to aim for and what it might look like when they reach there. This section concerns what is meant by the term 'sustainability' and the importance of this concept to NPOs, while elaborating on the nature of sustainability and identifying the key components of any successful efforts to become sustainable.

All the study NPOs, irrespective of their category, opined that sustainability means 1) financial security which required continued social development partnership; 2) providing services at a steady or growing level and 3) maintaining the client or community base.

TRISHNA Trust's mission says, "...the trust is dedicated to the socio-economic transformation of rural and remote areas of India, especially the weaker and socially underprivileged groups, through physical, social, cultural and economic development of rural people, groups and institutions..."

SAPNA Project mission states, "...it strives to translate the ideals of knowledge, power and solidarity into practice, by providing people, especially the poor and vulnerable, with opportunities and resources, so that they can actualise their hidden potential and are able to help themselves through health, education and capacity building..."

AATMA Institute's mission is "to empower the underserved and marginalized individuals and communities through gender sensitive participatory processes for achieving optimal and sustainable health and development"

Executive Director, SUR Foundation states, "..Foundation was created to further the well-being of rural Indian communities. The foundation assists programme designed to promote sustainable development at the village level..."

"...To offer a broad spectrum of cost-effective and humanistic clinical services of a quality that meets the highest international standards to all irrespective of their caste, creed or class...", goes Daya Trust's mission.

"…UDAY Society is formed to enable, guide and train slum dwelling community to identify their problems/issues affecting, their lives, mobilize community resources and motivate to solve their own problems..." stated Head of the Organisation.

SADHANA Center mission is, "...to construct the condition in which citizens of plural backgrounds and perspectives can come together and deliberate on how thy can work to benefit and empower the least advantaged in society..."

"…JYOTI Foundation is committed to advancing a rights-cantered approach to its work for children and women in communities residing in rural and urban India, in the sectors of RCH, education, sustainable livelihood and natural resources management through a cross-cutting strategy of mobilising support of all sections of the society-individuals, groups, corporate bodies and business houses, national, transnational and international agencies for implementing all programmes…" goes JYOTI Foundation mission statement.

It is not surprising from a look at the above case studies that the NPOs wanted to be in the limelight of social action on continuing basis.

Nevertheless, sustaining benefits is not necessarily sustaining the organization. It is quite possible for the organization to phase itself out but the community continues to benefit – the programme could be handed over to the public sector or to a community based organization. It is also possible for the organization to continue while the benefits deteriorate. So, it is important to be clear as to whether the organization or the benefits are the primary focus of the efforts for social development partnership.

CEDPA, found that the organization's perception of what should be sustained shifts over time. Most NPOs are established because a group of people identifies a common need that can be achieved more easily by coming together. Their focus is on the benefits they can provide. To deliver these benefits, programmes are developed and an organization is established which oversees the programme. This development stage of an organization might be represented as in Figure 6.1. But, after an organization becomes well established, however, something peculiar often happens. Organizational members become more focused on maintaining the organization itself than on preserving the benefits to the community.

One of the SPMs, AATMA Institute stated, "...we started with a service mission with like minded persons, but broke up the relationship due to the focus being shifted by individuals who were ready to convert community fellowship offer to individual/organizational benefits and growth..."

"…our mission is good when you see things from outside, but it is a one-man show basically looking at organizational growth and its survival. Of course, all the activities around the organization are focused with a community perspective…" says Programme Manager, TRISHNA Trust.

"…the vision of the organization began with serving the poor population with not-for-profit motive but ended with profit making…" stated Chief Administrator, Daya Trust.

UDAY Society was formed with non-profit approach towards community development to generate resources and mobilize the people at local level to solve their problems. "…as it is growing, the motive has changed to running a field training center from community development….the change in the vision is because of survival for the organization…" said by Head of the organization.

The above case studies show that when NPOs face financial crises or scramble for finance, they would even accept a new project that contributes little to the original purpose as long as it allows the organization to continue. With this focus on organizational survival, sustaining the benefits can be forgotten. And, in many cases, the NPOs are so rooted in the community that there is no intention of leaving even in the long-term. This is portrayed in Figure 6.2. This is because NPOs seeing themselves as uniquely capable of addressing the needs of the people and assuming that their services would always be required, decide to provide a certain kind of service at no cost to the beneficiaries and search for a community willing to receive those services. To get financing, the NPOs develop a programme that matches the donor and, in this way, NPOs shift their focus. In effect, the donor is hiring the NPOs as an instrument to fulfill its mission. NPOs have, on the other hand, no expectation of recovering the cost or generating revenue, and its main financial strategy towards sustainability is to apply for another grant and assistance.

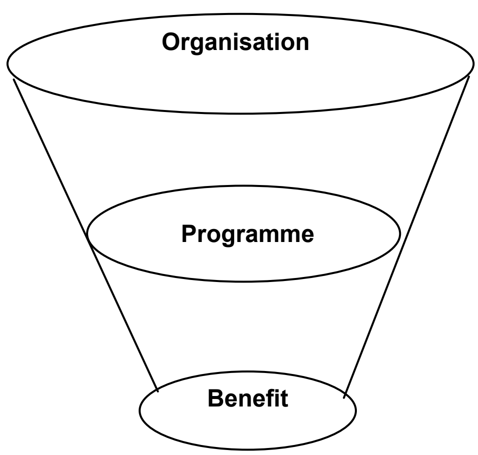


FIG: 6.1

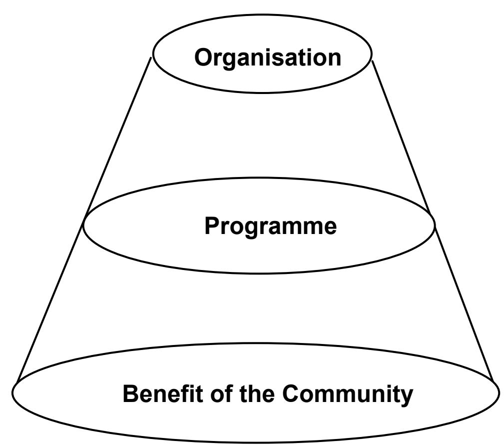


FIG: 6.2

For instances, AATMA Institute has been working in the Tigri and Sangam Vihar for the last 16 years "with no effect of its interventions. Whatever changes have occurred in this community are due to external factors" stated the donors. The researcher's interaction with supporting donors reflects that this is the reason AATMA Institute has been working with different donors from time to time to receive support to foster its effort to the community without any focus.

Executive Director, SAPNA Project said, "...for the last 27 years, we are working in the Nizamuddin area and in the same community "as they (board) wanted…".

Interaction of the Researcher with the community and staff of TRISHNA Trust revealed that "…lots of work has been caused by Trust in the last 24 years in Churu but not decided to move out to other places as their policy doesn't permit. However, " Trust is ready to support other NGOs in knowledge building…".

In-depth study revealed that "…UDAY Society concentrated it's work in the slum area of west Delhi with the initial objective of enhancing the capacity of the slum people and still, in the last 11 years continued to do so…".

Except for the NPOs that run schools and hospitals and IGOs (SUR Foundation), the rest have been working in the community for long without any intention of leaving even in the long term. This also reflects the NPOs' desire for independence leading many organizations to seek alternatives to donor support as a means of empowering the organization and the community they serve.

To become sustainable, NPOs need to shift from a welfare perspective to one that rests more on some basic value-orientated principles. These include raising cost consciousness among the staff, clients and community and keeping track of efficiency so that as many services as possible can be provided with the available resources. This does not mean the NPOs lose sight of their social objectives and their mission. This is the reason why NPOs were formed and received support from donors in the past. It is a matter of involvement and partnership for social development to ensure that the programme services are of value not just to the direct clients, but also to the community at large. In other words, instead of behaving as welfare organizations that give the recipients what it believes they need, the NPOs must see themselves as providing something of value to the community in exchange for their support. Among the study organizations, almost all NPOs in one or another generate resources through community financing in the form of user fees, service charges and product price, but the contribution is not very much significant (see Chapter-4). Due to this, NPOs work in partnership with their donors and communities, but are not yet at the level where their services are fully valued by either. At this limited level of exchange, the benefits will not be sustained. To maintain the sustainable scenario, social development partnership with community ownership must be developed with increasing exchange/participation that results in dramatic shifts in roles for the community and the NPOs as well. Donors, instead of being contractors, become modest partners for social development promoting NPOs no longer as mere providers but facilitators.

Thus, sustainability is built on the concept of exchange. Donors invest in NPOs' programmes in exchange for producing results that meet the social development goals for long-term returns. This involves a shift both in the way NPOs view their relationship with their donors and beneficiaries and in the way it operates. That is, in partnership, the community is financing in the form of user fees, service charges and/or product price which meets the needs. This partnership both enables NPOs to address their social mission, through the impact created in providing the needed services, and enables them to generate their financing requirements through the community. This view of social development partnership serves the community and also generates the resources. This may evolve even further to a point where the community can manage and deliver the services itself, relying on the NPOs only for technical support. NPOs can exit and begin the process all over again in another needy community.

Developing a strong organizational base, a robust programmatic approach and adequate financing, the NPOs need to adopt specific strategies that would enhance the social development partnership and sustain the social action benefits. This needs to happen in three key aspects – organizational, programmatic and financing – which are discussed in detail in the following sections.

Section One

Partnership and Sustainability: Organizational Position

The characteristics of an organization's internal system, structure, work and culture play a key role in ensuring its long-term survival. In this section, I focus on three major concerns in establishing social development partnership within and outside the organization that affect the ability of the organization to meet external demands and the challenges as well as the sustaining of the benefits: the organization's values, mission and vision; governance and strategic communication.

Mission and vision define the kind of organization an NPO is or aims to be. They guide the individuals and groups and focus energy towards the accomplishment of common goals. The mission and vision help the organization create a distinctive image and identity, clarify strategy and inspire commitment. Individuals and groups donate cash/kind and become volunteers primarily because they identify with the mission and vision of the organization. The review of the study NPOs' mission and vision divulged that the board members, the staff and the leadership in general share a set of values and beliefs.

Chief Administrator, Daya Trust says, "…we started with charity concept and moved to user-fee based approach, but our mission remain the same…"

"…. began with right centered approach to work for children and women in communities in both urban and rural areas on social service basis to the community driven approach…" stated Executive Director, JYOTI Foundation .

"….the charitable trust started with knowledge and capacity building of the poor and vulnerable and shifted to the income generation approach..." stated Project Director-Health, SAPNA Project.

"…SADHANA Center registered as a not-for-profit social organization and moved on to focusing on a corporate link approach with a business perspective…". As the head of the organisation says, "...We change this approach to strengthening sustainable livelihood of the village community through creating autonomous village level institutions and supporting organic leadership…"

The mission and vision of the organization provides the inspiration to carry on working under difficult condition that prevails from time to time. They also define the boundaries of what is negotiable and what is not – specifying central core that is essential to the distinctiveness and integrity of the organization.

Interaction with the previous staff of AATMA Institute reveals "….when we introduced the user-fee concept for receiving health services and service charges for training programmes, we made the director angry and almost all the staff were resistant to change..."

"…any changes in the approach need our trustee's approval who holds organization and, if there are no return benefits to the organisation, he will not approve the proposal at all…" says Programme Manager, TRISHNA Trust.

"... struggling between religious fundamentalism, charity and idealism the staff are willing to change the mission with changes in the community needs…but the mission and vision of the organization do not permit us to do so…" says Executive Director, SAPNA Project.

However, it has been found that often there is tension between the values and the strategies. For example, charging for services might be seen as undermining the value an organization places on serving the poor and the staff might resist implementing the strategy. To build commitment to sustainability within the organization, these tensions to be sorted out either by discussion on how the strategy fits the values or by selecting different strategies. Interaction with the Heads of NPOs revealed that too many changes, or changes that are too drastic, could jeopardize the organization's tax-exempt status.

AATMA Institute is running an Adolescent Development Center for the last 7 years without any fees. Because of that, Institute is running from pillar to post for donor support to meet the operational costs. During an interaction with the Director, AATMA Institute, "…we are supposed to provide health services and run the adolescent center with no fees but are not allowed to generate funds as it involves various legal aspects including tax exemptions…"

Chief Administrator, Daya Trust stated, "… Though we adopted the corporate culture of charging for the services, we provide free services on fixed days to retain the status of not-for-profit..."

"…we generate funds through special events like exhibitions, organize celebrity meets, etc., for providing mobile health care services free of cost and to keep our status to get tax exemption…" says Executive Director, JYOTI Foundation.

In contrast, it is observed in SUR Foundation that though the donations received are managed by the community, but in a real sense, it is controlled by the staffs. The project team stated, "…we have to keep this as a strategy to maintain our status of non profit..." However, the entire resources that are used for the Foundation activities are SUR Foundation family/personal resources.

The above case studies show organizations with financial, operational and image problems can often trace their troubles to the lack of focus that comes from not having or not communicating a clear organizational mission and vision. Although mission and vision statements provide an anchor in the policy and decision making process, it is not immutable, cast in stone. It should be reviewed from time to time to see whether changes in the internal and external environments render the mission or parts of it obsolete. Moreover, when guided by mission and vision, people believe their efforts could make a difference and they support the work with greater commitment as well as enroll others in the pursuit.

Governance

'Governance' is a term used to describe the process and structures that direct the operations and activities of the organization. An organization board directly plays a key role in governance. On the other hand, the internal structure of decision-making also has important implications for how organizations develop and maintain service philosophies and what role their boards play in developing initiatives. Most formal organizational charts for NPOs indicate that boards of directors are vested with responsibility for establishing overall policies and for ensuring that the organization's mission and philosophy are articulated and implemented. The study was able to identify a variety of board structures and functions. A few of the boards appeared to approach the standard model in which boards exercise at least some explicit policy functions. However, as noted previously, NPOs with a high reliance on grants and assistance or other institutionalized funding sources tend to centralize these decisions in top management staff and allocate a more peripheral role (symbolic role in maintaining the legitimacy) to the boards. Candidly, boards of some of the study NPOs sometimes perform only the minimum legally required functions and function as 'sleeping boards' otherwise. For instance,

Head of the Organisation, UDAY Society said, "..it is just a body and does not have a role in the organizational issues…"

"…Only the Director of SADHANA Center social wing, who is also part of the same corporate body, attends the board meeting. We have board members to facilitate the organizational mission…" says Executive Director.

"…our every decision passes through the board…" says TRISHNA Trust Programme Manager.

"….of course our board is involved in day-to-day management and passes the expenditure statements.." says Chief Accountant, AATMA Institute.

These organizations have had a very large board (20 members) of prestigious and clout-heavy individuals. The organizations' close affiliation with equally powerful and prestigious corporate institutions justified their involvement. The board served to provide legitimacy and had considerable symbolic value, but it was not a governing board by any definition. Nor did it participate in any direct fund-raising activities. Most likely, the organizations were able to maintain such a large and prestigious board because it demanded very little from the board members in return for listing their names on its annual report or its letterhead.

This questions the boards that represent the community interests and serve as a forum for these interests to be negotiated and incorporated into organizational activities. Unfortunately, none of the study NPOs has had active committee structures to make effective use of diverse board expertise. In principle, the structure allows the organization to fulfill legal formalities and come together once in a year. It is not surprising that, none of the board members are aware of what type of programmes are ongoing and how many staff are involved, while very few board members know the functional staff personally. To be effective, the strategy requires a board leadership that is relatively independent of the Executive Director.

Some of the SSOs used specialized structures in the form of auxiliary boards for accomplishing limited tasks related to fund-raising, special events and other resource mobilizations. This is a traditional part of board structures and operates in tandem with the type of independent boards. Generally, auxiliary boards have representatives on the governing board, but are otherwise formally excluded from participating in policy decisions. The use of auxiliary boards can be most effective if they establish a separate identity and internal reward system.

Chief Accountant, Daya Trust stated, "…We have got an auxiliary board, which only the trustee's of the organization can attend and at the same time, they only hold the top positions such as Chairman, Secretary, and the rest are members but we take directions from the board members…"

"…all corporate donors are members of the foundation but they do not have decision-making power in organizational matters…" says JYOTI Foundation Executive Director.

The auxiliary boards also serve to develop leadership for broader organizational or community activities and create a symbolic role for particular constituencies who otherwise would have little opportunity to participate in or occupy top management positions in the governing boards.

On the other hand, whatever the specific utility of individual boards, NPOs need boards for their symbolic value. Boards serve to certify to the general public, and the Income Tax Department in particular, that the organization has established formal mechanisms for ensuring that it operates appropriately and continues to deserve its status as a tax-exempt organization, especially if also eligible for receiving tax-deductible donations as a charitable organization.

SADHANA Center "…as we have adopted the corporate approach, it is necessary to consult every board member to launch any product…" says Managing Director.

SUR Foundation: "...It is a legal formality to have a board ….though we put our personal resources to use in the development projects, we seek the opinion of the board members before taking any policy decision, particularly income generation oriented …" says Executive Director.

Only IGOs have approached boards to exercise strong policy roles. For example, Daya Trust-HSOs implemented a major new programme component – community eye care services – at the direct initiative of a board member and the board of SADHANA Center-IGOs rejected staff-proposed group practice model for income generation activities, instead of contractual. However, these occasions were episodic and rare, and most initiatives come from the staff members although they are undoubtedly shaped by how the staff members expected the board members to view particular developments. These occasions appeared to coincide with rapid growth, the development of major new programme at the initiative of the executive staff without board involvement, and serious problems in meeting donors' requirements with a loss of ongoing funding. Occasionally, the directors viewed these demands not only as interfering with the more pressing work of serving the clients and meeting the donors' requirements, but, as inappropriate or even self-serving and misleading. This shows organization discomfort with working with the board members who do not fully understand the agency's programme or purposes.

The case studies suggest that an independent board will be difficult to implement for organizations with high reliance on grants and assistance, because of the time-frames and the mutual dependence associated with that type of financing. Any case, the board members seemed to face problems of purpose and involvement. In their search for purpose, they made considerable demands on the staff members and on the director's time, energy and patience. In all cases, someone in a key leadership position, usually the Executive Director, exercised strong control over the organization but with the active cooperation of at least some members of the board. The Director's work with the board becomes effectively another programme of the organization. However, it is a difficult role for the directors to play. On the one hand, they must involve diverse constituency groups and give each a sense of purpose, participation and leadership. That means that they must create leadership opportunities and attribute leadership to others. On the other hand, directors must also ensure that the organization maintains direction and sufficiently unified leadership to avoid internal power struggles and stalemates. That means they must exercise leadership directly themselves. The balance is difficult to maintain. In other words, the board also has a vital connection with the larger community of different stakeholders required to be empowered.

Strategic communication

NPOs must address contingencies associated with external financing sources and seek to manage their external environment more generally. They must decide how to link the priorities of funding sources to organizational missions and client or community needs, how to develop resource flexibility and cushion themselves against funding jolts, and how to engage in networking and other boundary spanning activities in order to develop and maintain resources. In this regard, strategic communication involves their planned and being focused on achieving specific objectives and staying issue-based. It is generally pro-active with opportunities being sought to deliver messages; to network with other groups to leverage resources; to maintain excellent external resources, not only with their community and other organizations with similar mission, but other stakeholders as well; and, to create a positive image of the organization, which seeks to increase the amount of trust between the organization and its public.

Perhaps for that reason, there is also considerable disagreement on how well NPOs are managed. Some researchers (Drucker, 1990; Knauft, Berger and Gray, 1991; Steinberg, 1987) claim that NPOs are likely to be managed better than others types of organizations because they are directed more explicitly by the organization's mission and vision. This is consistent with Wood's (1981) finding that leaders of NPOs can lay claim to special sources of legitimacy when they are able to link their actions explicitly to the organization's central values as expressed in its mission. Others (Bennet and Dilorenzo, 1989; Bryson, 1988) argue that NPOs are managed less well than other types of organizations because managers and directors do not have adequate incentives for implementing effective strategies. Bryson (1988) adds that it takes a somewhat different approach by emphasizing the difficulties of strategic communication in NPOs. He further argues that the diverse constituencies and broad organizational goals of NPOs (those of public agencies) make it difficult to apply strategic communication approaches from the corporate sector and that few alternative models exist.

Two sets of issues are involved: the structure of communication among the organization's staff members and the extent to which the staff execute the decision-making powers over strategic decisions. The study findings suggest that the way in which these problems are resolved differs by communication strategy. In the SSOs, the provision of on-going services to a target population and the frequent access to reliance on centralized and institutional financing means that administrative control easily reverts to the Directors or key administrative staff members. As a result, the staff, volunteers and members of the organization are left to play more peripheral roles. This reflects the highly centralized structure with full and explicit control in the hands of the Head in order to coordinate boundary spanning activities and ensure a consistent image of the organization with the outside decision-makers. Among the study NPOs, SSOs (JYOTI Foundation, TRISHNA Trust) particularly illustrate this pattern. They have the corporate approach among the case-study organizations, and both emphasized the need to maintain a well-articulated image in order to position themselves in their respective funding areas.

In CDOs and IGOs, similar tendencies toward centralized control exist, especially if they rely on institutionalized funding sources. But, for CDOs, they are attenuated by the need to validate the organization's claim to represent the local community in a particular geographical area. This mandate forces the CDOs to pay greater attention towards strategic communication to create a positive public image, to network with partners and to create better external relations. Less deliberate examples of centralized structures develop by default when most outer-directed, non-service tasks gravitated toward the director because the organization is not sufficiently large or well organized to delegate these tasks to others. CDOs (SAPNA Project) exemplify this pattern among the CDOs. An IGO (SUR Foundation) also falls into this category, most likely because its stable reliance on one major sources of financing meant that its environment is stable, predictable, and easy to manage centrally.

The organization relying mainly on donations and/or community contribution fall into this category among the CDOs. However, organizations that have (SADHANA Center, UDAY Society) a small number of staff (6-8 persons) ended up responsibilities for central coordination of activities. That is important for these organizations because most of their activities involved extensive reliance on numerous volunteers.

Interaction with the Heads of NPOs shows that the centralization strategy can work in terms of securing on-going funding, but it becomes problematic in terms of drawing the second layer leadership and, building the trust of the staff and agreement with the stakeholders. For instance,

One of the Head of an SSO stated,

> "…..staff agree with the ideas but it is unpredictable whether they will support you or not. There is always a low degree of trust between the staff and the organization."

One of the HSOs key decision-makers expressed that

> "…another key member does not devote enough time to some of the central functions, cannot do them systematically, or encounters difficulties in maintaining or creating external relations. Because of these reasons, many of the staff are not even aware of what the organization is doing and they also showed a low level of willingness to listen, based on experience."

The Head of a religion based organization said

> "…the staff doesn't trust your organization though they happens to agree with you on the issue….their main interest is self-protection"

The overall goal of strategic communication is to convert as many people as possible into 'allies' by increasing the trust and agreement. Sharing information to encourage agreement and ensuring that statements are followed by actions to foster trust are good strategies.

On the other hand, organizations (AATMA Institute, Daya Trust) implement a decentralized organizational structure in order to ensure that specialized programmes are operated appropriately and that supervisors have a narrow enough span of control. In other words, decentralized control involves the use of team structures or group decision-making at some levels of the organization, ranging from client contacts to programme decisions and networking with the community. AATMA Insitute and DAYA Trust illustrate this approach among the case study organizations. DAYA Trust used the process deliberately as a mechanism for attending to client needs and staff participation in decision-making. AATMA Institute allowed the same approach to develop default when it vested control over key resources in the hands of individuals and staff members.

This shows that decentralized strategy requires careful attention to coordination and integration to ensure that the diverse efforts cohere with the overall organizational goals. Its also requires intense levels of communication among the various levels of the organization. In addition, as staff members develop networks and boundary spanning abilities of their own, they become highly attractive to other organizations, and the organizations may lose their expertise when they are hired away.

Section Two

Enterprising Partnership: Programmatic Approach

The effective delivery of services requires close association between the programme and the organization in order to achieve the organizational mission and vision. Programmes fulfilling the clients' needs and promoting community ownership of the programmes are critical to sustaining both the benefits and the organization. However, organizations provide the structure to implement programmes effectively and manage the resources. This section deals with how community participation and ownership, and quality services promote achieving the mission and meeting the financial objectives, leading to a sustained social development partnership between the community and the organization.

Community participation

As we have seen in the above section, developmental partnership thinking processes require a shift in roles between the donor, the NPOs and the community. With the growing concept of sustaining the benefits, the community moves from a receiver of prescribed free services to passive financiers of those programmes and services that they value. In other words, actively engaging the community through programmes that would increase their capacity, values and knowledge, which could in turn sustain the organization mission by ensuring, continued support and providing resources to sustain the benefits. The ability to marshal the community resources, exchanging valued programmes for community support, underlies all NPOs' effort for independence from (outside) donors and sustains the benefits. This can only be done through social development partnership, i.e., exchange of values and/or value oriented programmes between the NPOs and the community.

The study findings suggest that such partnership and enterprising participation is especially difficult to create if organizations rely on a variety of funding sources or on multiple grants and assistance. Although all the organizations have problems along these lines, they appeared to be more prevalent among the HSOs and CDOs. These organizations have access to ongoing funding from external resources, and may therefore easily encounter disarticulation between funding priorities and their own mission. The IGOs are less likely to depend entirely on external support and are equally secure and viable for long-term. SSOs are more likely to expect continuing support from its own mother corporate groups with vested interests in the non-profit mission and its activities.

NPOs may seek to use a *client-driven approach,* in which they attempt to maintain close coordination between the service staff of the organization and key programme staff who have central responsibility in implementing the programme. Such coordination structures may counteract the tendency to decouple the delivery of services from the maintenance of funding relationships. Among the study NPOs, SAPNA Project, SUR Foundation and TRISHNA Trust could use client-driven approach because they had unrestricted financing / donations and could also use their corporate support for such funds to initiate new programmes and services. Even so, a client-driven approach requires to be followed intermittently and is easily compromised. It requires a high level of commitment to maintain effective coordination and sharing decision-making.

SUR Foundation water harvesting structures like check dams, village and farm ponds and embankments are constructed to capture water recharge. A complete watershed, following a ridge-to-valley approach has been adopted. Additionally, vetiver grass has been used to strengthen earthen water management structures and prevent silting, for which the foundation has helped setting up a grass nursery. Personal water conservation measures have also been encouraged, especially regarding the repair and installation of functioning taps. In fact, only about 25 per cent of households get an adequate or fair share of water. In some villages, the lower castes are prevented from freely using common wells and others resources.

The organization therefore encourages the water committee to ensure equitable water distribution and it is running successfully.

TRISHNA Trust initiated Apni Yojna scheme for bringing drinking water to the villagers, where low rain fall a high fluoride content and underlying brackish to saline ground water zone coupled with natural factors like desert and increased population the leads to tremendous pressure on traditional drinking water sources. Trsut has involved itself in exploring new sources of drinking water through a hydro geological survey. Because of that, they are able to provide drinking water with the collaboration of the government to 300 odd villages. In this work, the community bears 20 to 30 percent of the total cost and 5 percent for maintenance, which is paid either in cash or thorough providing materials. The collaborative effort has solved the drinking water problem and provides 24 hour supply to those villages where they had never seen that amount of water. Interestingly, building and supervision of utilization of water are done by the village committee.

Most of the other study NPOs did not show a similar level of commitment to assessing client needs. The analysis of the grants and assistance and donation revealed that no contract/ agreement reflected client needs and most proposals seemed to contain only minor modifications to the previous proposal for the same programme, which is purely donor-driven. In other words, re-directing the grants and donations to interfere for determining community needs to guide decisions requires restructuring the proposals for the existing funding relationship or developing approaches to new financing.

Our interaction with the adolescent community in the AATMA Institute project area is reflected in the following:

"…we receive sex and sexuality related education and health care services…but our basic problems are drinking water, sanitation facilities, and security. These issues are not talked about or integrated with the on-going training programmes…" says adolescent group.

"….out of 40,000 total population, only 200-220 adolescents have attended the training programme in the last 3-4 years…though AATMA Institute prompted peer education, it did not yield any fruitful results…" adds another adolescent.

This shows that the community requires development but the project talks of sexual health. There are no coordination efforts made in between these two issues.

Similarly, being a corporate run SSO, "JYOTI Foundation distributes free medicines and organizes health camps in its project area" as if it were the community requirement. But, our interaction with the community revealed that, "the health/medical team comes once in a month and provides medicines. Whenever they come, they do not give proper attention like checkup, but give the same medicines which they had distributed earlier…". This shows the level of Foundation's communication/contact with the community.

Nonetheless, this is not to be criticized. The emerging energies are not channelised towards community development- it is a concern.

In this way, as the case studies show, the first layer of the participation is appropriate to meet the immediate, short-term needs of the community. There is a lot of good work done in this way, but research has shown that it does not empower the communities to act on their own nor will it likely lead to sustaining the benefits. Nevertheless, active community involvement is a pre-requisite for social development partnership, which requires knowledge, skills and capacity to manage the programme and benefits.

The marketing approach Only two of the study NPOs, namely SADHANA Center and Daya Trust pursued this strategy with successful financing in terms of increased financing but did so systematically. Although preserving the mission of the organization, new programme developments may be new only in name, but not in approach. Donors will find it difficult to accurately assess the effectiveness of the new initiatives.

"…we began our vision to help women augment their family income and improve the quality of their lives. We run a workshop where women are trained in marketable skills such as embroidery, tailoring, net weaving and puppet making. The women make a range of products such as cushion covers, bags, etc. However, when we have large demand, we hire professionals to complete the job in time. We adopt this strategy of hiring professionals to fulfill the market-based demand and quality, as our women may not understand these issues, though they are trained in marketable skills…" says Programme Manager, SADHANA Center.

"…We organize eye camps in every village free of cost. This project has been supported by a bilateral agency to provide free eye check-up, operation and spectacles, including board and lodging for the patients. This approach has gained marketing attention to initiate a fee-for-service, not-for-profit, multi-disciplinary hospital. This establishes the passion and compassion to deliver affordable health care to the people …" stated Chief Administrator, Daya Trust.

Moreover, moving along the continuum is not an easy task for a number of reasons. It is a well-thought process but is time-consuming and difficult for the NPOs that are working within short project periods. It is also more difficult to control as the NPOs must let the community learn and make decisions, which is not predictable. The community may not identify the marketing as the core programme, as a priority need. Even so, the benefits of greater participation – a responsive programme that the community values and contributes towards partnership – reward those NPOs that find their way around the challenges.

The Selective approach: In the more common version of the marketing strategy, NPOs use their perception of market demands by members/community who supply their product for a price. In principle, NPOs ought to use their mission to guide their choices, but my review of the case-study organization data suggests that this type of marketing approach may easily take on a life of its own. Although this approach is likely to be successful at least in the short run, organizations seem to find it difficult to maintain the primacy of their mission, and the strategy can endanger both the mission and the ability to meet the community / members needs. Either or both these failures may threaten the organization's access to other alternative ways /resources, such as community marketing. SUR Foundation illustrates this approach.

Raising farm income level can be met by increasing productivity, capturing a greater share of the end consumer price, and ensuring that production matches market seasonality or unmet demand for fresh produce or grain. Concretely, this means providing villagers the means to increase the amount of money they can earn. Under-developed agriculture areas are often resistant to development. Without a direct income enhancing benefit in those areas, long-term sustainable development is doubtful. "…The goal of the income enhancement programme is therefore to create village-level institutions, which generate both employment and income. So far, SUR Foundation has focused on agriculture-related enterprises, specifically targeting the fruit and vegetable sectors. The organization also intends assisting the development of start up activities allied to farm production…." says Programme Leader, Income Enhancement.

The above case study shows that this is a powerful strategy when the community discovers all the strengths that exist within its individuals and local groups. In this approach, the community realizes that by drawing on its assets it can address its priority needs. However, this type of exercise should not be a one-time activity or one-place networking. As the community works together, they to need find their own networking and move along to develop their developmental partners and to sustain the benefits.

The Accidental approach: NPOs simply happen to be in the right place at the right time – for example, serving large numbers of slum population, and promoting rural (village) development programmes and services, as were the case with UDAY Society. This strategy, fostering community participation and ownership, begins by valuing what works in the community rather than focusing on its problems. This appreciative approach breaks the problem-solving cycle, where the community members view their community and often themselves as a problem that can only be solved by outsiders. By emphasizing the problems, NPOs place the communities in a recipient role. NPOs obtain funding information before their programmes have been fully developed, because they have access to inside information or similar opportunities are underway. As a result an organization can find itself pursuing new opportunities with new directions with which its staff and board may feel comfortable. But, this strategy can also create problems in meeting donor's expectations about programme performance. Instead of building on the existing assets in a community, the community members feel empowered and able to address their issues.

Overall, community involvement should be viewed along a continuum. At one end it is a welfare-oriented approach in which the community receives prescribed benefits. At the other end, the community ultimately owns and manages the programme and benefits. Effective community ownership is more than just stakeholders' participation and partnership building. It requires the development of an ongoing governance structure for sustaining community efforts for continuing need-based programme activities that people value. To enhance the long-term social-development partnership and sustain the programme and benefits, there is need for fostering a higher level of participation, working with the communities to move up the continuum.

Quality Services with Programme Demand

An important factor sustaining any service is quality. It lies at the heart of partnership i.e., exchanging value for value. People do not value low-quality products and services, and will not use them even when they are free, preferring instead to turn to the commercial sector, where they feel assured of product and service quality. In other words, people are ready to be a partner for development through supporting each other. However, providing quality services on a continuum basis also difficult but it could help to meet the organization mission and fulfill the perceived community quality as well as meeting the organizational financial objectives. It has been observed from the study NPOs' project areas that communities are willing to pay for those services and products that they believe are high quality. Surveys around the world also show that people, even poor people, are willing to pay for the services they value. Indeed, they often value the services more and use them more judiciously when they have to pay for them. Charging fees, often called cost recovery, is an approach to generating revenue that all NPOs should consider. It is based on the concept of partnership: people paying for the services and products they value. For instance,

With 30 years of experiences in the health care industry, Daya Trust is able to establish itself a trendsetter and has acquired the role of catalyst for more such organizations. A well chalked out programme, state of the art blood bank projects is being implemented and emergency services are being further up graded with latest and sophisticated equipments. This is attained very fast acceptance, among community and it has made services of high standards.

TRISHNA Trust: A co-educational English medium residential-cum-day scholar school was established by Trust in 1973. The objective was to cater to the needs of the rural children for value-based education and pursue excellence in academic, extra-curricular activities, character building and sports. The Trust School is affiliated to the Central Board of Secondary Education, New Delhi. Located amid 20 acres of greenery, it takes only one-third of its 400 students from outside the area. The remaining places are reserved for local boys and girls. The children from Gram and the neighbouring villages do not come from affluent families, unlike most students from outside the state. Yet, there is no distinction made between these two categories of children in the school. Parents of students from outside the State are charged Rs. 25,000. For local boys and girls the fee is only Rs. 3,000 and that is heavily subsidised by the Trust. The school has an ideal teacher-pupil ratio of 1:20, which makes it possible to give individual attention to the students.

The above case studies focus on the process, not the provider that links quality and sustainability. This approach demands inputs from all levels with the focus on clients or customers. This, in turn, questions the level of monitoring and information system an organization has. Routine record reviews would highlight potential problems such as changes in utilization or profile of clients. These changes may or may not be related to quality, but it would identify the weaknesses of the programme and services. This is a competitive exercise, which further demands high quality competent staff.

In general, two sets of challenges for improving quality include how to structure internal resources to be most consistent with external demands/environment and how effectively use resources that are available. These two sets of challenges are interdependent, so that efforts to address one set of issues may limit the ability to solve other problems. However, the issues match the quality and skills with programme demands, establishing organizational leadership and structure, and developing a coherent organization mission and vision. Restricted grants and assistance usually require NPOs to meet specific programme quality demands with high quality of skills. In addition, NPOs that change or expand their services with new financing sources either hire new staff to perform the new or changed activities or make their current staff members more productive. Broader quality improvements are likely to intensify these types of problems, especially for HSOs. Interaction with the study NPOs revealed that the supply of competent employees is shrinking, which ultimately affects the programme quality and services.

At AATMA Institute, Director says, "… we faced high staff turnover in the last few years, say since 2000. Due to this, our quality assurance approach is not in a place…"

"…as we are a small organization and working in a slum area with right based approach, no one is interested in working in this kind of field and, due to this, we are not able to set a standard for quality so far…" says Head of the Organisation, UDAY Society.

"…The staff of Trust has not been able to expand their horizon and negotiate with the donors and government directly. They still depend upon Trustee or Project Manager for such tasks. The language barrier is one major reason for it, apart from the fact that not much effort has gone towards grooming and equipping them to deal with the top brass in the government and foreign donor agencies. This also reflects that we do not get quality staff as they demand high pay and benefits...” stated Programme Manager, TRISHNA Trust.

“… We cannot afford to hire high quality staff with high pay… that is not our interest too, being a charity organization. But, from time to time we hire consultants for setting quality standards...” said Executive Director, SAPNA Project.

This trend could affect the NPOs with fewer opportunities and less adequate resources, particularly those who rely only on grants and assistance. In contrast, NPOs that are capable of generating resources stated that they have fewer problems in identifying high quality staff. For instance,

“…we treat our employees on par with our corporate sector, including higher salary and provide loans for purchasing a car but still we face high staff turn over. It may be due to the highly competitive market…” said Executive Director, JYOTI Foundation .

Executive Director, SUR Foundation says, “….we are not bothered about the pay, but are concerned about the quality of the staff …”

“…though the staff are working for the social wing of the corporate body, they are treated as corporate staff and we pay them on par with industry…” said Managing Director, Daya Trust.

“….we pay our marketing executives as per the commercial sector, as we have adopted a business approach for our survival and for sustaining the benefits…” stated Managing Director, SADHANA Center.

The above trends explain certainly what affects the least sophisticated NPOs. The more specialized skills that NPOs seek are also likely to be in short supply with low pay. In all likelihood, these NPOs will find it increasingly difficult to attract staff members who will meet service quality specifications or further develop their service capacities. The study encountered several strategies that NPOs appear to use in their effort to match the staff skills with programme quality demands. They are: training for the staff; hiring consultants on a part time basis; and contractual services. This may be thought of as reducing the problems between quality and the clients/community and result in more effective services. There are obvious costs to these strategies because individual staff members who have gained a broad range of skills may either demand higher salaries or leave the job; hiring short-term consultants may also allow NPOs to institute new management procedures and are likely to have a fragile and easily disrupted relationships with the organization. However, turnover or use of short-term consultants is costly affairs in terms of finding and training new staff. At the same time, leasing services requires intense monitoring and might question the level of quality services, if they abandon the activities that are part of the organization's central core efforts, such as the delivery of programme services or the establishment of social development partnership with clients/community and donors. In general, these strategies appear to interfere with the NPOs's ability to maintain performance standards and create difficulties in living up quality and sustainability.

I have described the strategies and the challenges that are available to NPOs and identified some of the limitations associated with these strategies in linking quality and sustainable partnership. Some challenges derive from efforts to use internal resources effectively to match the staff skills with programme quality, establish internal organizational leadership and decision structures. The difficulty in using quality as sustainable strategies effectively and the differential ability to avoid problems associated with them help account for the reason why the twelve NPOs included in the case studies have had such diverse experiences with overall financing stability.

Marketing for partnership and benefits

We often think of advertising and promotion when we hear the term 'marketing', but it is actually a much broader concept. Marketing is a critical aspect of sustainable operations. In fact, many believe that marketing is the key to achieving organizational mission and vision. This is because marketing involves identifying the needs and wants of clients and serving them more effectively and efficiently than alternative providers. In other words, it facilitates 'partnership' i.e., exchange between the NPOs and their communities and donors. We see that exchanges are the lifeblood of sustainable actions. This section focuses on marketing relationships with clients/community and donors.

A review of the case study organizations data showed that a lot of effort has gone into the marketing of the organizations to attract funds, particularly grants and donations. It is a systematic process involving the use of information about clients/community and an organization environment to determine what services to provide, how, where, and to whom. The interactions with NPOs staff, however, revealed that it is a continuous process; the needs and expectations of the clients/community and the operating environment are constantly changing but it is not done vigorously.

"…in order to address the inadequately met health problems of the community, model primary health care services are demonstrated by organizing clinical services for the target groups. This clinic is held tri-weekly and offers a variety of services. A minimal fee is charged to instill a sense of responsibility among the health seekers. Similarly, we initiated vocational training courses on electronic, electrical maintenance, beauty-culture, tailoring etc., with minimum fees. In order to provide information, marketing and time of the services, we send our field staff for door-to-door marketing on availability…" says Executive Director, AATMA Institute.

To meet the needs of the unemployed sections of the community, especially women and youth, SAPNA Project also offers vocational courses, such as word processing, DTP, typing and shorthand, beautician course, life skill training (for e.g. driving, tailoring) etc. These courses are designed to fill the needs of the market so that the trainees can get jobs and earn regular income. SAPNA Project helps trainees to find placements and negotiates a better wage. In this regard, field workers are asked to visit the community every day (morning) and remind the community about the courses and benefits.

By way of response, SADHANA Center in recent years has tried to support people of the project villages to come out of debilitating patron client relations through labeling and molding, and training on watershed management and community based aforestation programme etc. As these courses are run in different time in the year there is a need to communicate to the community regarding the timing and the future course.

At the same time review of the materials such as pamphlets, brochures, reports, etc. illustrate the marketing mechanism is used in general for fund raising. But, very few organizations demonstrate that there is a market for services and products that they provide. Moreover, all NPOs, irrespective of their category, stated that they do and are into competition, which can change them to commercialization. Competition can change rapidly, at one end. At the far end, success is likely to generate competition. However, marketing (competition) ensures the partnership through quality services and, attracts new clients and retains the old ones and differentiates from the competition, which in turn fulfills the organization mission and financial objectives.

Interestingly, all NPOs have differentials strategies for user fees, service charges, and product prices, according to the population – target or non-target. The case study organizations have tailored the products or services and their pricing, promotion and distribution so as to meet the needs, preferences and perceptions of diverse groups of potential customers and the population. All organizations provide services for the neediest populations of their project areas.

Table 6.1 User Fee Strategies, Non-Profit Organization

Name of Organization	Target Population (Fee charged in Rs.)	Non Target Population (Fee charged in Rs.)
For Health Services (per visit)		
AATMA Institute	20	35
SAPNA Project	15	40
Daya Trust	50	150
SADHANA Center	2	10
UDAY Society	30	80
TRISHNA Trust	25	
JYOTI Foundation	Free	Free
SUR Foundation	40	75
For Vocational Training Courses (per year)		
AATMA Institute	420	720

SAPNA Project	720	1440
Daya Trust	300	600
SADHANA Center	600 (through referral)	960
UDAY Society	3000	25000
TRISHNA Trust	1200	1800
JYOTI Foundation	960	3000
SUR Foundation	Free (excluding food)	

But, it is not surprising to note how and why NPOs are not able to sustain the benefits or generate resources. It has been observed from the community that quality services are not maintained at the expected level of the community (as we have seen in the quality section) and referral services are not perceived as necessary while the cost of the service or prices of the product is almost equal or more than that of the commercial sector. In the name of non-profit, in general, NPOs make profits. Due to these reasons, the community prefers to go to the commercial sector where they can receive perceived quality services for the same cost. For instance,

One of the community members stated, "…when compared with private health services, the cost of health services is less at AATMA Institute ..however, for instance, if we visit private practitioners, we need to pay Rs.50 per visit. In the case of AATMA Institute, we need to visit twice or more and each visit costs Rs. 20 plus registration fee Rs.5 which is almost equal to private cost…and, at the same time, Institute's services are available only on fixed days…In case of emergency- any way, we have to go for private health services…And, this way, we do not find any difference …"

"…there is not much fee difference in the training courses that are offered by SAPNA Project ….for e.g., for learning word processor software programme, one has to pay Rs. 700-800 for a year. However, for the same course, at a private training programme, the cost is Rs.500-600 for 3-4 months. The timing and duration matter more than the fee…" says one of the students.

This depicts that before establishing a fee system or setting the fees, there is a need to find out what the competitor charges for its services and base the prices on that. It is rarely as simple as charging exactly what the competitor is charging. At the same time, the service that is being provided is likely to be of a somewhat different quality with unique features and so too the clients/community.

In addition to this, none of the study organizations linked with the marketing sector for referral and/or networking with like-minded organizations (other than funding agencies) to strengthen the marketing. The strategy also caused NPOs' failure in resources generation and/or community mobilization. Even the one or two NPOs have partnership or exchanges value for value, do not link the clients / community directly to the market and do not pay the profit share or divide the share equally. This further added to fuel of non-participation in the programme or services, which ultimately questions the level of social development partnership. This also reveals that less effort is made by the organizations to market themselves within the community due to the project mode approach.

TRISHNA Trust aims at giving employment to the rural folks throughout the year and has started giving training in carpet weaving. According to the community, "…earlier, we were able to earn only Rs. 200-250 by doing tie-and-die and now we are getting Rs.1000-1500 a month. But, we are not getting the actual price for our efforts; other women who work in other carpet industries get more payment for the same task. Thus, less price doesn't motivate us to work for …"

Thus, marketing is actually a much broader concept. Marketing provides the tools to help both identify client needs and tailor the products and services to address those needs. In other words, marketing the organization among the community whom they are serving should be the first priority and this would help the organization sustain its mission and vision. It has the capacity, if used wisely, to understand those environmental factors that affect the NPOs' ability to sustain the benefits and the resource mobilization. There is a need for transparency, which means quality services, need to be implemented effectively instead of playing intermediate roles or moving along with project modes with time duration.

Section Three

Sustaining the financing: Is it important?

Often, the first thing NPOs think of when they hear the term 'sustainability' is money: How can NPOs get another donor grant? Will the clients/community pay for the services? Will others in the community finance the cause? Yes. As we have seen above, sustaining the benefits means much more than having enough money. Nevertheless, sustaining the benefits requires strong developmental partnerships, which ensure that there are sufficient resources available. In this section, I undertake financial analysis of NPOs, which involves examining the financial data to better understand the composition and balance of income and expenditures. From the case study organizations, it has been noticed that NPOs often examine only those limited elements of their income and expenditures that interest donors. This is not appropriate when sustainability is the goal. For that, it is essential to include the whole organization and all its various activities and programmes.

Putting Income and Expenditure Together

The case study NPOs' financial reports provide expenditure information and the costs over the past five years in two ways – by type of inputs (salaries, travel, construction) and by the activity (training, services, administration). Table 6.2 shows the percentage of organized inputs under programme and administrative costs for the last three years. For example, three years ago SSOs' programmatic costs accounted for 92.5 per cent of the costs that year and clinic operations represented 60 per cent of the costs for the same year. While HSOs accounted for less than 62 per cent that year and clinic operations represented 73 per cent for the same year. However, the administrative costs have been constant or steadily decreasing for all NPOs, irrespective of their category, meaning that they need more financing each year to keep their programmes operating. Most NPOs sought to use unrestricted private funding such as donation and community contribution to subsidize the grants and assistance, to compensate for their failures to claim the entire contract amount as bridge funding. However, the case studies show that organizations often had limited success in controlling donations and that even sophisticated and formalized donation strategies may not result in predictable revenues. In contrast to grants and assistance, donations are not legally mandated to ensure that specific service efforts continue.

Table 6. 2 Total Programme Cost Vs Administration Cost, Non-Profit Organisation 2000-01 to 2003-04

	Percentage Program cost			**Percentage Administrative cost**		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
JYOTI Foundation	90	86.3	84.1	8	10	3.2
TRISHNA Trust	94.5	95.7	84	4.9	3.6	4.8
SSOs	**92.25**	**91**	**84.05**	**6.45**	**6.8**	**4**
AATMA Institute	57.4	68.7	74.9	10.4	9	9.3
Daya Trust	66.1	65.4	64.1	16.4	16.9	15.5
HSOs	**61.75**	**67.05**	**69.5**	**13.4**	**12.95**	**12.4**
UDAY Society	76.1	87.7	92.3	9.7	5.4	4
SAPNA Project	51.5	29.2	58.4	5.3	3.4	8
CDOs	**63.8**	**58.45**	**75.35**	**7.5**	**4.4**	**6**
SUR Foundation	35.3	42.8	13.3	14.9	12.2	11.7
SADHANA Center	79.2	80.8	77.9	1.6	1.8	2.2
IGO	**57.25**	**61.8**	**45.6**	**8.25**	**7**	**6.95**

In AATMA Institute, to provide health care services at low prices for the targeted population, the organization started accepting donations, using the funds of other on-going projects and promoting community contributions that are used for subsidising the services, as they failed to get support from donors.

Researcher's interaction revealed that SAPNA Project received a one-time grant from Australian aid for PMTCT project and the organization continued the service by utilising its donations and contributions for a short duration. The revenue generated from donations and contributions was not sufficient to carry on the project for a long term. Though the organization runs health care services, it was not able to continue the project from this year onwards, as they do not have a surplus to carry the project forward.

In-depth analysis of the balance between capital and recurrent costs illustrates that all NPOs started with significantly higher capital costs than recurrent costs, though this quickly shifted as their capital costs declined and recurrent costs increased. This is probably reasonable, as NPOs requires a capital investment up front for their programme activities. This also reflects the NPOs efficiency in generating the resources (see Table-6.3). In other words, NPOs like most of their costs to be associated with programmes. For TRISHNA Trust, the laying of roads and building of '*balwadi*' centers took up most of the costs every year, except six years ago when the cost of their building pushed the administration costs above the operational costs.

Table-6.3: Fixed Assets Vs Current Asset (in per cent), Non-Profit Organization 2000-01 to 2002-03

	Fixed Asset			Current Asset		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
JYOTI Foundation	88.1	75.5	71.1	11.9	24.5	28.9
TRISHNA Trust	56.0	67.4	74.7	25.9	32.6	47.4
SSOs	69.1	71.3	72.9	20.2	28.7	38.3
AATMA Institute	16.3	14.5	13.4	83.7	85.5	86.6
Daya Trust	4.1	4.2	3.7	95.9	95.8	96.3
HSOs	5.7	5.9	5.6	94.3	94.1	94.4
UDAY Society	11.5	9.8	8.3	88.5	90.2	91.7
SAPNA Project	13.8	42.2	79.0	86.2	57.8	21.0
CDOs	13.6	41.5	77.8	86.4	58.5	22.2
SUR Foundation	59.0	52.5	97.8	41.0	47.5	2.2
SADHANA Center	0.6	0.5	0.5	99.4	99.5	99.5
IGOs	22.3	29.5	82.5	77.7	70.5	17.5

But, for HSOs in general, the case is the reverse. In contrast, for the CDOs and IGOs concerned, the major part of the expenses related to administration due to rentals, training, travel costs, etc.

Ironically, in the financial reports of the case study organizations described for the last five years we see that there is no major change in the operation costs. This shows that there is no new financing source added or no programmes have come to the organizations (except two HSOs) to support their on-going activities or expand the programme horizons. A detailed analysis of the income of NPOs revealed that only two HSOs (AATMA Institute and SAPNA Project) received funds between two and three years ago. However, this is not a significant issue as the figures from three years ago include bilateral donors' assistance, which was used for a one-time expenditure. At the same time, all NPOs affirmed that they have been planning on providing the same programme with only the addition of income generation activities and health care services through community financing. That is, they based their projections on current expenditures plus inflation, which shows the transition of the organizations towards sustaining the programmes and benefits. This kind of straightforward exercise – cost in the past provided a useful guide for new initiatives with cost–cutting as well cost adjusting shows a surplus from previous years for many case study organizations. As a result, the NPOs have less reason to provide for ongoing funding or imposing detailed management tasks on the grantees.

Fiscal contingencies associated with restricted grants and assistance place a high premium on access to flexible funding and reserves cushion against funding jolts. Differences in the predictability and controllability of funding sources also means that NPOs must continuously explore a variety of short and long-term resource strategies. Interaction with the Heads of NPOs showed that the sources of income have been changing over time. They said that these incomes or surpluses are reliable and flexible. For instance, Daya Trust stated that the sources of support promoted independence of the organization. That is, only less than 20 per cent of their funding is dependent, with 80 per cent coming from clients and members. A similar trend has been observed for corporate based NPOs, particularly TRISHNA Trust. This identifies the several strategies, ranging from attempts to increase community financing to efforts to overcome specific problems associated with grants and assistance. In the case of CDOs, the trend is just the reverse. For example, UDAY Society. It is unlikely that there will be sufficient funds unless other sources of support are found or the income from current sources is increased. Organizational leverage, at least for CDOs, originates less in their own service efforts than in the grants/contracts they can establish with outside resource decision-makers who have little or no investment in them or their capacity beyond the donation or short-grant itself. For IGOs, this pattern may also apply to donors from outside the community.

The financial analysis of SAPNA Project and AATMA Institute also highlight the fact that they would continue to operate with minimum surplus from previous years (Table 5.3), by the second year, they would not be able to cover their costs and would need to shut down part of their operations. By identifying this problem now, they have some time to explore and implement strategies to increase their income and lower their costs. SSOs, such as JYOTI Foundation, and TRISHNA Trust in particular, tend to relegate donation efforts to special sub-units within the organization or to more peripheral units or engage in them only sporadically. This is because their dependency on community contributions reveals dramatic differences in their ability to secure funds on a continuing basis and the extent of related programmatic and structural changes. Their experiences demonstrate the importance as well as the difficulty of linking mission and market niches and creating loyal clients and community and staff in order to secure organizational control over this particular revenue source.

"…with a one-time Australian grant, we started the PMTCT project and continued the services for the last three years...Probably, we will not continue the project in the same spirit as we did, but selectively operate the project with the concept of user fee based approach…This is because we do not have a surplus to carry on the project forward…" said Executive Director, SAPNA Project.

The above case studies show that NPOs may combine grants and donation from several sources by packaging them around concepts that appear to be salable to a variety of donors, so that the services will be provided consistently even if a donor drops the programme. This is the easiest way to follow if the organization focuses on narrowly defined target populations (with lower financing priorities). It is a much more difficult strategy to follow if the organization aims to serve a variety of components and activities, non- overlapping the target populations with different service needs.

There is financial viability when NPOs' financing relies on a diverse base of funding sources to minimize an organization's dependency on any one source and its vulnerability to both shifts in funds availability and donor preferences. NPOs may seek community contributions or other forms of earned revenues to reduce the impact of high failure rates of grants and assistance or the up-front management efforts associated with government support. Community financing and income generation activities also provide an organization a market test of its services and exploit their service capacities to generate resource directly. Management practices and efforts associated with community financing, obviously shaped by institutional actors outside the organization (than the grants and assistance), are therefore less standardized and more closely intertwined with the internal features of the organization. In all cases, the analysis suggests that organizations must cultivate a relationship with the community for financing over a period of time in order to develop sufficient trust and credibility to succeed in these strategies for sustaining the partnerships and benefits.

Cost Cutting: Should be Cross-cutting?

If NPOs want to become financially viable, they need to balance costs with income. The less it costs to run the activities, the less the revenue that needs to be generated and the lower the fees that need to be charged. This, in turn, makes the services accessible to a larger number of clients or community members. Cost reduction (cutting) has a further appeal, as it is something over which organizations have more control than they have over income. The challenge lies in lowering costs without limiting the quality and effectiveness of the programme or being diverted from the organization mission. There are a number of strategies for reducing costs. Some case study NPOs focus on lowering total costs while others look at reducing unit costs or the cost per unit output by increasing demand. Only lowering total costs will limit the amount of income NPOs need to earn, but both can result in lower prices to the community.

In the form of cost cutting, many NPOs often let go of staff and sometimes let down the community, although the latter problem can sometimes be avoided by arranging for other organizations to take the responsibility for the services. This is what, TRISHNA Trust did when funding for its programme ended, getting the local NPOs' consortium to agree to supervise and supply the community-based workers to ensure that the service would continue. AATMA Institute - a reproductive health organization, had agreed to run the population stabilization programme funded by donor, decided to stop its work when the funding ceased. But, in the case of SAPNA Project, a health organization decided to stop its work when the funding stopped so as to focus on literacy work.

Trimming Costless Services

Although **improving quality** may increase the costs in the short-term, in the long-term the benefits out-weigh the costs. Improving quality can increase utilization and demand for services, for details see Section of Quality. For instance,

As we reviewed the publications of TRISHNA Trust, it was noted that Trust initiated a massive community based programme for the renovation/construction of community *kunds*, wells and other drinking water sources. The construction of a new *kund* costs Rs. 1.5 to 2.5 lakhs, while the repairing cost of an existing *kund is* just Rs.40, 000. Due to the villagers' suggestion and the information about the structure that needed to be renovated or new ones to be constructed at a convenient site for everyone, the best plan got contribution for renovation of a *kund* in a village costing Rs. 25,000 and for a new one of Rs.1.10 lakh. The villagers contributed 20-30 per cent in cash, besides offering their free labour for the work.

A case study quoted in SUR Foundation Annual report (2002) 'plantlets to profits' – Puranchand is a landless 45 year old farmer had tried to raise his income by turning from grain to vegetable growing on his leased farm, but with limited success. Early in 2002 his watermelon and Kakri (cucumber) crops failed, netting him a loss of about Rs.20, 000 and this was due to the use of spurious seeds and pesticides, and partly due to his lack of knowledge about good agronomic practices. Later, with the support of Foundation, Puranchand grew off-season Brinjals (eggplant). This time he adopted several improved agronomic practices that were shown by Foundation could yield him Rs. 38, 000 from a one acre field. Subsequently, three other farmers were encouraged to grow off-season tomatoes on raised-beds. Raised beds lead to higher yields than traditional growing on flat and unprepared fields. And now more than 1000 farmers from three neighbouring districts have adopted this method and, in fact, Purnachand is sought by other farmers for his advice on new agronomic techniques and on off-season crops.

UDAY Society formed Mahila Ekta Kosh (Women's Monthly Saving Programme) with 60 members in 1993. It had 230 members in 2002. Its accumulated savings were around Rs.9 lakhs. The association of the members has really developed a sense of mutual cooperation. After analysing the community resources, UDAY Society created an *alternative economic system* for the poor. In order to meet the above, the Daily Saving Programme was started in 2002 and, as of now, the total membership is 1230 with an accumulated collection of around Rs.15 lakhs. This programme started providing loans to the members for income generation activities. During this year a total of 57 entrepreneurs have been provided loans. Due to the loans from this programme, the members have informed increase of 30-35 per cent in income. They have no debts and there is about 15-20 per cent increase in income to those who have debts. About 10 families have been rehabilitated from the clutches of money lenders.

The above case studies also show that doing things well limits re-work and waste. This shows that there is a need to establish a strong network with local governments, and other NPOs for fruitful results. This has been encouraged by the donors, according to the case study organizations. NPOs see them primarily as pro-forma requirements that they need to document in order to have access to resource opportunities. It is unclear how much of such work has been carried out or has taken place. This however ensures that these contacts/ networks enhance the organization's credibility.

Cost cutting may be a way to **reduce waste and unnecessary budgeting**. For instance, all study organizations have budgeted for 'refreshment cost' for the community mobilization activities such as community meetings, information dissemination, awareness programmes, etc. Here, the following questions arise: Do we need to identify additional costs (other than personnel salary) to continue the operations? Do we need to lower costs or cut an unnecessary budget? Do we need to diversify local sources of support? Do we need to reduce the donor dependency? Yes. These are the basic questions, one needs to answer. Because, this unnecessary budgeting makes NPOs run from pillar to post for support.

Table 6.4 Refreshment Cost against Total Expenditures for Non-Profit Organisation 2000-01 to 2003-04

Name of the organization	Refreshment Cost (in Lakhs)		
	2001	2002	2003
JYOTI Foundation	20.96	27.80	32.20
TRISHNA Trust	95.42	63.85	55.86
AATMA Institute	21.06	29.23	31.78
DAYA Trust	3.15	3.15	4.12
UDAY Society	2.28	3.30	3.52
SAPNA Project	3.21	4.01	3.92
SUR Foundation	6.56	13.55	47.77
SADHANA Centre	0.29	3.69	4.0

Reducing Hierarchy and management levels may be another way of reducing waste and unnecessary overheads. Among the HSOs, (DAYA Trust) took such steps and in doing so lowered costs and improved productivity. While the DAYA Trust decentralized its activities with a combination of supervisors and medicos SAPNA Project - one of the CDOs reorganized from a narrow hierarchy into a broader structure limited to three departments such as income generation activities; clinical services and community activities. In contrast, AATMA Institute created more hierarchy, which not only reduced the communication between the Head and the middle and lower level staff but also increased the overheads. That is, 9.2 per cent of the total organization budget costs just go as overheads for the Heads of NPOs merely. Among all SADHANA Centre reported for higher cost on the Heads of the organisation that is about 23.8 per cent followed by SAPNA Project (17.5%), UDAY Society (16.2%), JYOTI Foundation (10.8%), TRISHNA Trust (9.2%), DAYA Trust (5.8%) and SUR Foundation (3.3%) (Table-6.5). However, individual organisation analysis reveal that few NPOs maintained less sophisticated organization structures and the trend has kept on increasing according to the inflations rate. Are these organization commercial venture oriented or non-profits? Even corporate structure cannot afford to pay these costs unnecessarily. This questions the non-profit mission's vision.

Table 6.5 Cost on Head of the Organisation against Total Expenditures for Non-Profit Organisation 2000-01 to 2003-04

Name of the organization	Cost on Head of the Organisation (in percentage)
JYOTI Foundation	10.8
TRISHNA Trust	9.2
AATMA Institute	9.2
DAYA Trust	5.8
UDAY Society	16.2
SAPNA Project	17.5
SUR Foundation	3.3
SADHANA Centre	23.8

Excess capacity occurs when fixed cost items are not used as much as they could. Building space and staff are normally fixed costs and often represent a high proportion of the total costs. One option is to *share the fixed cost* with other organizations or reduce the costs. For example, an NPO could share the office space with other partner NPOs. A group of NPOs can rent large space together rather than costlier individual spaces, like business ventures. In this way, an organization can seek to establish networks with other NPOs for referral purposes. In other words, the fragmented service system requires extensive efforts to ensure that clients or community actually receive the specified services easily. And, these efforts strengthen the NPOs and, as part of its own service, the larger community.

Another way is *avoiding extra / duplication of fixed costs*. In a majority of the NPOs, duplication of fixed costs is in practice. For example, an organization always projects that they have adequate number of staff for the execution of the programme. In reality, NPOs have less number of staff and they are overloaded with more and more responsibilities. In other words, the proposed numbers have never been there for which the organizations has fixed costs or has budgeted for. In other words, staff is the most costly expense for NPOs. Opportunities for lowering the salary component are always explored while exploiting the donors for extra staff. Why does this variation exist? Where do these extra-fixed costs go? How does this exploitation take-place? There is a need for transparency in handling the accounts and to donors' responsibilities in verification.

On the other hand, excess capacity can also be used to generate more demand and more income. None of the study organizations uses this approach. This reflects that NPOs want to be in the project mode rather than sustaining the services and benefits. The staff of the organizations are not well utilized and they are asked to spend a part of the day doing community outreach. This is one of the reasons marketability of the organizations within the community is not appreciable, which in turn questions the survival of the organization and sustainability of the benefits in the long run. At the same time, if the excess capacity occurs in fixed costs, perhaps the NPOs should increase the level of services. By increasing the volume of services without having to increase fixed costs, NPOs can provide additional services at lower costs. This could be seen as a marketable strategy that would ensure a relatively stable cash flow. This is called "economies of scale" with ensured quality of services.

Moreover, using volunteers is one approach though it should be recognized that it is not a cost-free option. Resources will need to be invested in managing, the training and supervision of volunteers. These costs must be weighed against the benefits of having volunteers, including those associated with new skills and the network of potential supporters they might bring to the organization. Besides this, *soliciting support* from the community for office premises and functional area would reduce the operation cost and strengthen the programme as well. This requires a focused and strategic approach. However, most of the organizations that experienced rapid growth had also experienced dramatic declines in total funding during the period examined. In each case, the decline the illustrated drawbacks and limitations associated with the particular strategies the organization had pursued as a part of its growth phase.

I have described in this chapter how leveraging of the organization resources and the organization's capacity to generate additional resources required visionary leadership, quality services, and community linkages. Leveraging involves partnership i.e, an exchange. Donors invest in NPOs programmes because NPOs help them achieve something they want. Perhaps, the work NPOs do supports their mission and vision. There are many potential sources of support, more than ever before, both in the immediate community and further a-field. However, I have also detailed cultivating potential resources as time well spent as it increases the chances of success, strengthens the partnership and sustains the benefits as well as soliciting support. Unfortunately, many organizations largely neglect this key process.

Chapter Seven

The Non-profit Mission and its Financing: Implications and the Sustainable Framework for Choice

Describing in-depth case studies, findings of previous research, public spending analysis and a range of conceptual approaches, this report has examined contingencies and strategies associated with different NPOs financing sources and their system of management, planning and general development. In today's world, all non-profit organizations need to change to sustain their operations. Change, neither inherently positive nor negative, can provide opportunities and present challenges. Whether imposed by an external force or proactively undertaken by the NPOs, change must be managed to ensure that there is a balance between innovation and continuity.

Special privileges for NPOs are justified largely on the ground that they perform the kind of public-type functions typically identified with government – helping the disadvantaged, providing social services, and supporting schools, hospitals and agriculture and fulfilling the community needs. When the government is able to provide these services in forms that voters want, little role exists for NPOs. Candidly, non-profit missions create parallel system instead of strengthening the (government) existing system. For instance, SUR Foundation created parallel Panchayat –Village Council - to take decisions and mobilize the people for village institution building. If it is so, what does happen to government established Village Council for the same purpose? Take another interesting example, all study organizations established health clinics at their project sites where they all have a primary health center, which is established by government since independence. Yes. We do agree that government is not able to reach all population but it does not mean that it cannot serve all of them? Government efforts are not able to attract the community or mobilize the community for the cause that has been established. It can be strengthened by the efforts of non-profit mission and made government institution responsible for providing the benefits. This also avoids the duplication of the efforts and doubling the expenditure pattern, which is unjustifiable. On the other hand, however, when populations are very diverse, services that satisfy the majority may leave many people severely under-satisfied; NPOs are thus understandable as an alternative mechanism for providing public-type services. The more homogenous society is, the more are its citizen's preferences, and the smaller the need for NPOs (Weisbrod, 1975). This perspective on the relationship between NPOs and government implies that the growth of non-profit activity reflects an increase in the gap between perceived social needs and the government mission.

From the case study organization, it has been understood that the need for its activity depends on the size of the aggregate problem and the degree to which government deals with it, in addition to the degree to which other NPOs are active. In this way, NPOs are captured by resources relationships that depend critically on the reputation they maintain. If NPOs think of expanding their service horizons as the needs increase, donation, grants and assistance either decrease or rise slowly (see Chapter-4), and the lure of becoming commercial venture is likely to be powerful. Similarly, NPOs fighting poverty are likely to be attracted to commercial mechanisms to generate additional revenue. NPOs' pursuit of additional revenues may reflect not only pressures to increase output but also increases in the cost of producing a stable output. The overall system is dominated more by regulations and informal expectations of organizational behaviour than market process linked to production or service activities. In the NPO sector, for instance, a day-care center, adolescent health center, or shelter for the homeless, may have little potential for increasing productivity; hence, over time, overall economic growth will increase their costs and expand their search for revenue simply to sustain output. For instance,

"…we believe that well informed adolescents on sexual health and development issues can play a decisive role in the furtherance of better adolescents health. We are focusing on reproductive health and sexual health issues by sensitising them through group meeting, training programmes, thematic camps, exposure visits and providing support services through adolescents counselling centre and adolescent friendly clinics…But we do not have an established referral facility or linkage so far…" speaks the Annual Report of AATMA Institute.

"RCH-on-wheels initiated as the Henkel - sponsored mobile health guard covers 40000 population including 10 villages and 8 slum pockets. Health on wheels a model aimed at adding value and depth to the lives of the community we work with…" says Executive Director, JYOTI Foundation.

"…Programmes of SUR Foundation are based on community mobilization and are undertaken only after first consulting with the village community and gaining their approval. The goal is to ensure maximum community involvement and to lay the basis for continued sustainability. The Village Council, which is non-political body, is involved in all decision-making, which contributes in cash, land, labor or depending on their means. The village members and SUR staff are engaged in village institution building. However, the SUR Foundation also seeks the active involvement of Panchayat, local government body…" says one of the Program Leaders of SUR Foundation.

UDAY Society, a non-profit activism based organization, writes in one of the reports "objective of creating a Health Forum was to that the poor people gets subsidized medical attention from the private health care system as the government run dispensaries do not suit them due….the attitudes of the doctors towards the poor people…"

For instance, sustaining any initiatives required sustained support and that too sustained efforts from government, otherwise it is just in vain.

SADHANA Center created check-dams with the knowledge of the community, as it is an important measure. In the initial stage, Center also went along the community fulfilling their needs in establishing a check-dam without involving a local government. Due to natural calamities, the dam has to be repaired now. Our interaction with village water community regarding maintenance and repairing expressed that "…no members of the community is ready to share the cost of repairing but all tell us go to SADHANA Center…and now Center says, it is your duty to maintain it….at the same time, we also cannot go to local government for the support as we did not involve them and they may not listen to us at this juncture…"

Our counter interaction with local village government reveals, "…we were not involved in the project done by SADHANA Center and the community, though we had budget for a check-dam establishment in the last fiscal year…without building a check-dam, how can we show an account for repairing the check-dam…this is because, the failures of the both community and the organization to inform us once it (check-dam) was established so that we could have provisioned the budget towards maintenance and repairing…. Now it is too late.. Certainly, we will do it in the next financial year...by the time we do not know - what could be the cost…it requires an assessment...”

AATMA Institute runs a health care clinic where already two primary health care centre and two sub-centres of health services are established by Government; and eleven private clinics including seven NPOs run clinic are located. All these health services are addressing to a total of 53000 populations. We agreed to have eleven private clinics as we do not have control over them. But why all NPOs need to establish one centre each in the same area… why we do accumulate all the resources in one place? But still, in the same area, 62.3 per cent of the deliveries are conducted by untrained dai and which takes place at home.. what is the level of impact we have now?

The outcome of the production or creation or establishment is not clear. This not only shows poor vision of the organization but also reflects donors’ ignorance of their mission.

Why is this happening? From the study findings, simple availability on a particular mix of financing sources, NPOs tend to stay with that mix. Continuity of funding allows the organization to routinize tasks. Establishing a new funding stream imposes a steep learning curve, high overhead and fixed costs, and risk of failure.

In short, what brings the activities of NPOs into the limelight is their links with rest of the economy without any coordination or collaboration. Contrary to the common view, NPOs are far from independent from private enterprise and government. They compete with and collaborate with the community or financing sources or donors their efforts to finance themselves to produce their outputs, and to develop markets for those outputs. That is, market systems are prevalent, but as normative models for nonprofit behavior rather than as a description of their actual behaviour.

Some NPOs are so tightly bound to a single donor that they come to function like a for-profit subsidiary – serving primarily or entirely the interest of those who control the resources. The tight coupling encourages the NPOs to adopt goals, structures, and vocabulary that mirror those of its donors. Three of the case study organization-SADHANA Center, Daya Trust and TRISHNA Trust exemplify this model.

"…Our main customers are foreign tourists and rates are fixed accordingly…." says Program Manager, SADHANA Center.

Our review of the Daya Trust records states, "our clinic be on 'no profit no loss basis'" but another reports expresses that "we have made a profit of Rs. 2853176 as compared to last year performance Rs. 21818757..."

Executive Director, TRISHNA Trust says, "…some horticulture crops like aonla, mango, guava, etc. hold much promise for this area….they do not require too much water, can grow in the farmer's wasteland and give steady yields…". However, the programme requires initial high investments, which can often be a constraint for small farmers.

The above case studies depict the relationship between NPOs and their donors as reciprocal in the sense that each depends on the other. The terms of the partnership, however, are not that of simple mutualism. Tightly bound by their donors they voice the same ideology. This also demonstrates the enormous complexity of attempts to question how reliable non-profit missions are? And, an attempt to answer this equally important to define those deemed 'charitable', 'not for-profit', 'social welfare' and 'voluntary' – those exempt from federal taxation and do not operate outside the overall economy. Their interactions with private enterprise and government are taking a dizzying, ever growing variety of forms. Their drive for revenue is bringing non-profit status into headlong competition with private enterprise; this is most apparent in health, hospital, education, rural development and women's empowerment – where increasing pressure to contain services is bringing massive changes in the organization and intense price competition.

Interdependence of Commercial and Donative Revenues

Some NPOs that serve a range of clients state their mission primarily in the term of a ‘philanthropy’ – serving the common good – generally seek a mix of funding sources in order to spread their mission and dampen the impact of fluctuations in any single funding stream of donations. SAPNA Project and JYOTI Foundation illustrate this approach. The absolute magnitude and relative stability of donations determine how attractive it is to NPOs. Smaller and/or less stable financing sources also are appealing to these NPOs. However, corporate support, individual donations, and income generation activities are among the most flexible and viable sources that NPOs can pursue. The relationship between donations, support, and income generation activities may invite commercial activity in a variety of forms.

Review of the reports of TRISHNA Trust reveals that the cost of PG Diploma in Trust run college is 2.4 lacs whereas in IIM it costs 1.6 lacs. In addition to this Trust run college located in class B city whereas IIM runs in cosmopolitan city, where the cost of living is high.

“We are not able to spend all the money that has been received through donation, as we are able to adjust the expenditrure against planned activities through the grants/ assistance. Due to this, our carry forward balance is increasing year after year along with the interest…that is the reason, our surplus is high” says Executive Director, JYOTI Foundation.

What is the purpose of holding the donations? That is the reason; their surplus is very high and increasing year after year.

In addition to such interrelation between commercial and non-profit revenue sources, there could be interrelations with cost, producing commercial goods and raising donations could be subject to economies of scope. The two forms of revenue could be independent and unrelated. First, non-profit mission supporting its commercial ventures maximizes its profits in order to obtain as much net revenues as possible for the support of their missions. Second, crowding out of commercial activity by donations is most likely, when it involves services that are viewed by

NPOs management as most unrelated to the NPO's mission. Thus for-profit-turned-non-profit pursues its commercial activities with subsidized cost through its non-profit wing.

A pure NPO is one that finances production entirely through unrestricted donations and distributes its charitable output, at zero price, to all deserving populations. Contemporary concern, from the above case studies, about escalating fees illustrates the issues and trade-offs. Raising the fees, not accompanied by offer (corporate) donations/ support, has forced choice between retrenchment on one hand, and raising occurred, but along with sharp rises in fees. As Chapter – 6 explains, the aversion to user fees as a source of revenue is caused by their negative effect on the target population. This is despite the increased use of price discrimination in attempts to minimize the adverse effect of increased fees on the target population. NPOs have preferences among alternative resources separate from legal definitions of 'related' and 'unrelated' activities and their differential tax treatment. For a NPO there are no tax consequences of obtaining revenue from user fees rather than from donations, although there is a difference to the payers, since donations are tax deductible, at least for itemiser. The NPOs preference for donations is the consequence of the negative effect of user fees on the organization's mission, not on tax considerations. A mission that encompasses distributional goals would cause an NPO not to be indifferent in terms of income from donations and/or user fees.

Competition

NPOs are competing increasingly with for-profit firms, and in an amazing variety of forms. The competition between NPOs and private firms is made even more complex by the fact that at the same time NPOs are moving into activities (in the form of income generation activities) that have previously been the domain of for-profit firms. Private firms are expanding into the traditionally NPOs arena. Thus, income generation organizations – a private house SUR Foundation - have entered an industry long the preserve of NPO Mother (Milk) Diary, and for-profit based corporate house- TRISHNA Trust which is basically a transportation company that has entered an income generation industry such as milk diary, or carpet weaving. Similarly, AATMA Institute and SAPNA Project, health and community-based organizations entered the domain of private firms based on career/job training such as electrical and electronics engineering, computer engineering, beauty, cultural training, etc., and are encroaching by adding vocational training aspects to their revenue base. Whenever private firms and NPOs become competitive with each other, regardless of which enters the industry later, the likely result is that the two types of competitors will become increasingly indistinguishable. It is possible, however, that the competition could sharpen distinctions leading to increasingly different market niches for non-profits and for-profits. The nature of competition between NPOs and for-profit firms as well as among NPOs, remains poorly understood. Ironically, in the schooling and hospital industry, the NPOs, although quantitatively dominant, are confronting competition from an aggressive private-enterprise sector.

The competition reflects the level of resource relations, in the extent to which they involve in straight competition. In other words, in competitive market transactions, consumers of goods and services benefit broader or different populations than those who pay for them. For instance, fees, or sale of products, receipts from clients/consumers who pay the full cost of goods and services fall at one end. Donations, grants and assistance may subsidize for the target population at the other end. Thus, competition exchanges link revenue streams directly to what the organizations produce and the preferences of the community they serve. That is, the NPOs efforts or decision about productivity and market niche do not necessarily have direct implications for generating revenues.

Cooperation

The commercialism of NPOs does not necessarily involve their competing with private firms; it also occurs through cooperative mechanisms in which NPOs and profit-firms join forces. For instance, SADHANA Center -IGO has been supported by a private firm, while corporate based SSO-JYOTI Foundation support for rural women under income enhancement scheme more than doubled in real terms. Even the charity organization-SAPNA Project is engaging in such alliances for its Suvidha products such as dolls dresses and other accessories.

Hence NPOs have discovered that there are massive potential financial benefits from such symbiotic relationships with private firms – benefits that are not occasional and random, but are systematic consequences of powerful economic forces. At the same time, the for-private firms have a vested interest in NPOs' activities, and the relationship between the two sectors takes on great complexity. For instance, NPOs receive many subsidies that can be converted into something saleable to private-firms or consumers. How should we look at all these market-oriented changes? Are they helping to strengthen NPOs and making them more effective contributors to meet the society's needs, or are they weakening NPOs, diverting their efforts, leading them into an economic behaviour that is counterproductive – perhaps even undermining public support and will? The implications between NPOs focus on raising revenues and on their social mission is well understood by education and health care aspects partnership which are increasingly common, lucrative and contentious. The invasion of commerce in NPOs has been as "an epic clash of cultures between commercial and professional traditions" (McArthur and Moore, 1997). Other (Peterson, 1983; Altman, 1997), see NPOs emulation of, and involvement with, private firms as a sign of efficient resource utilization.

Public-Private Partnership

The changes occurring in the NPO sector not only impact the relationships between NPOs and private firms, but also influence the way NPOs interact with the public sector. In India, public-private partnerships have become an important vehicle for drawing together the resources and know-how that are needed to expand and improve the services. Partnerships are formed when citizens and organizations join together to improve quality, increase supply, and/or improve the accessibility of the services in a state or community.

The increasing interest in the potentials of a public-private-partnership to provide social protection is due to fiscal pressures. Governments have to reallocate resources with the utmost effectiveness. Nevertheless, for historical and ideological reasons, the public sector has involved NPOs more extensively than before. As we have seen in Chapters-4 and 5, public funding, i.e., government grants, is the driving force for many NPOs. Because of its relative magnitude, as we have seen in Chapter-1, it easily comes to govern the core activity of the organizations that obtain it. Because government grants and contracts demand high levels of management efforts, other activities are often subordinated to them. Among the case study organizations, except a few, the rest evolve toward public funding (see Chapter-4).

Thus, it has been understood that government grants also contribute to the cash flow and other financial contingencies. We have seen this in Chapter-4, while analyzing their social mission and vision. The terms of partnership are often subject to continual negotiations and can approach mutualism. There are countervailing reasons, however, for most NPOs to avoid complete dependency on government grants and contracts. Such a financing pattern is stable over the near term, but subject to drastic interruptions on changes in policy priorities. As a result, the organizations most likely seek to reduce their dependency on government grants, while seeking to gain some control over the source, or otherwise buffer themselves from adverse actions or other developments originating with the source.

In the recent past, the Government of India assumed more extensively, particularly after the initiation of globalization, and with considerable reliance on NPOs, its infrastructure that is already in place. For instance, in job training, the infrastructure is located mainly in for-profit firms that train people or clients, although the capacity for job training of most direct relevance to disadvantaged population or marginalized sections is located with NPOs.

These variations in the scope and structure of public sector activities reveal the wide variety of relationships that NPOs have with the public sector. NPOs either compete with the public sector (for ex. Health, education), or operate in partnership with them through subsidy relationship (job training), define them as forces to be mobilized (civil rights, community development) or view them as alien to their primary purposes (philanthropy, religion). On the other hand, the locus of control over external resource relationships has corresponding implications for the internal distribution of power for the some organizations. That is because of the key individuals responsible for maintaining those external relationships that provide the most critical resources for the organization to reduce the uncertainty. However, the study findings show that not just the relative amount of dependence and associated uncertainties are important. Resource relationships have qualitative attributes that have specific implications. These implications determine the level of dependence on public funding as the public sector's dependence on NPOs in leveraging resources.

In other NPOs, the scope and structure of public sector activities, and therefore the leverage that NPOs have over the public funding, took different forms across the services field. For example,

Managing Director, SADHANA Center states, "…government doesn't support the organizations that run in the business mode. Even government provides loans it has got numerous paper works, supervisory visit etc. and due to this we do not approach government for financing…"

The relationship between NPOs and the government is likely to shift from one of alienation to one of competition. In societies with direct public responsibilities, the relationship with NPOs shifts from one of partnerships to another, perhaps to the point of non-profit irrelevance and community development.

Financing

Many NPOs face increasing financial pressure because the gap between their resources and what they see as 'social need' is growing. This results from government-programme retrenchment, in part, but the situation varies substantially among segments of NPOs. Revenues from government have decreased in real terms, increasing at an average annual rate of only 0.6 per cent, considerably below the rate of inflation (2004-05). In the health services sector, revenues from government have grown in real terms; yet need, as reflected by the number of disadvantaged populations, has grown nonetheless, thereby increasing the pressure on NPOs to find additional resources. As we have seen in the Chapter-6, need is difficult to define and measure, but if NPOs search for new revenues, they have few choices: to increase private donations and/or to increase income from community financing or to increase through commercial activity.

As we have seen in the study, increasing donations is not promising for most NPOs, although it has been rather successful for a few (see Chapter-4). Although some new and imaginative forms of appeals (special events) for donations are being developed, there is little reason to expect that donations cannot be increased significantly unless tax laws are substantially changed. Such tax-law changes are being discussed, particularly granting of tax credits to encourage charitable donations. But, their future is beyond the control of any NPO. Income generation activities are the major path open to NPOs to generate additional revenue (Chapters 5 and 6); and once NPOs enter the realm of finding saleable output, they are in the domain of private firms where selling goods and services is the preeminent source of private-sector revenue. NPOs that pursue revenue in the same ways that private firms do are likely to emulate those firms, and by becoming more like them may undermine the fundamental justification for their own special social and economic role. To what extent this occurs is important for public policy, since the justification for the subsidies and tax exemptions to NPOs hinges on non-profit status from private-firms.

A significant source of income for many NPOs is community financing i.e., user fees, product price and service charges levied on clients/customers/community who use elements of NPOs' mission-related outputs that can be sold. As Chpater-6 has emphasized, however, community financing is a double-edged sword: The revenue helps with the finance problem, but the fees/prices also unintentionally keep away some persons whose use of the services constitutes one of the NPO's goal. Although many NPOs have kept lower fees or nothing at all to the target population, some of them are out of the service loop. It was found in many of the case study organizations that they were increasingly engaging in price discrimination – charging fees/prices by fine-tuning to be more competitive – and they are negotiating with donors over the financing. Candidly, community contributions become commercialism among NPOs, as we have seen from the study. NPOs are reaching the domain of private enterprises in the form vocational courses, job training and support price for products (donations) and carefully scrutinizing opportunities to find other ways in which they can get revenues profitably. The corporate supported SSOs, HSOs and IGOs, too, are doing more than raising the dairy milk prices, carpet weaving, vocational training, etc.

Commercial-like behaviour is extending to the labour markets as well as to output markets. Thus, NPOs' pressures to generate more revenues to pay high salaries to retain the staff, even at the expense of higher prices with reduced consumer base; the arguments have suggested that these NPOs are acting like the commercial business sector rather than like public serving organizations. This raises the question whether NPOs are merely 'for profits in disguise', as the above section competition posits. To consider all of them, as such might well be a mistake. However, because there is some evidence that corporate- run NPOs use their opportunities to sell services reflects their social service mission to reach the disadvantaged populations, and not simply the desire to maximize profit. The present study also shows that, when contrasted in the same corporate business house, non-profits and for-profits behave in systematically different ways. For instance, pricing, commercial-oriented vocational and job training, educational and health care services costs generate revenue, but achieve the organization's distributional mission. Thus, while NPOs may generate revenues through community financing, they may and do establish prices below marginal cost, or nothing at all, to deserving populations, as seen in above. Moreover, it is evident from the study that the NPOs and for-profit organizations behave in systematically different ways in markets where they coexist. In the health care services and educational set-ups, it has been found from the study that NPOs provide great access to the disadvantaged community, although that differential appears to be decreasing in response to fiscal pressure. Such findings, differential organization behaviour suggests, do not necessarily prove that when financial constraints allow, NPOs do behave in a fundamentally different manner from for-profit organizations. NPOs do appear to exhibit greater willingness to deviate from profit-maximizing choices in the interest of other goals, such as serving particular target populations and expanding services activities.

NPOs as Social Entrepreneurs: A Framework for Choice

From the study it is found that NPOs are potentially entrepreneurs producing five types of goods that contribute in various direct and indirect ways to the organization's mission and vision. The first type of goods comprises the organization's *output mission*: education, health care services for the disadvantaged, empowering the community, poverty alleviation, etc. The second type is *sustainable oriented*: community financing through user fees, service charges and product prices. The other two types of goods involve *ancillary activities: income generation activities* - entering into the domain of private firms with subsidized rates and behaving like commercial organizations; and, the fourth:

partnering with private firms for marketability: collaboration and cooperation with private firms; which is not in itself the mission, but is a potential sources of revenue for financing the primary mission-related output. And, last but not the least, *subsidy approach* receiving grants and assistance for the existing activities and/or expanding the activities. For each of these five goods, the NPOs can determine the cost that will produce them and the constraints including fiscal and competition. However, the revenue sources divided into five categories – donations, community contribution, ancillary activities, commercial approach, and grants and assistance- proves to be useful analytically. Even though every source of revenue does not fall neatly into those categories, most do.

Other essential elements of the framework are as follows: the degrees of organization, preferences for, aversion to, engaging in each of the five categories, the effects that revenue generating activities may have on the willingness of external support; the effect that revenue generating activities may have on the NPO's cost to produce the mission-related output; commercial ventures or partnership might produce revenues. But, they fear that it diverts the NPOs mission, though these are the new paths open to NPOs to generate additional revenue; a pure NPO may be thought of as dependent entirely on grants and assistance. In other words, NPOs behaviour in general and particularly their increasing reliance on marketing strategies is critically dependent on an understanding of the organization mission. That is, NPOs, as a class being characterized conveniently by a single set of goals and trade-offs is open to question.

The starting point for the framework discussion is the assertion that NPOs have non-pecuniary altruistic objectives. They exist to provide public goods and to distribute quasi-public goods in ways that are different from market distribution. That is, to redistribute real income via free or low price access to goods and services that generates external benefits (James, 1997). These objectives lead to pricing policies that differ from those of for-private firms, as noted in Chapter 6. However, government subsidies to NPOs are important additional sources of revenue. Moreover, from the study it is seen that only a few organizations receive donations as a warm glow by acting altruistically (see Chapter-4). When government grants and donations decline, the NPO is forced to become commercialized, to survive. In general, commercial activities are said to be not preferred by NPOs, because it involves producing goods they dislike, or charging prices that limit the consumption of the goods they do like. As we have seen in this Chapter, NPOs do not want to get into commercial activities or limit their ancillary activities because they fear that donations will fall if they appear to be self-supporting. The operative factor here is not the disutility of commercial activities, but their negative impact on other sources of funds.

The framework for NPOs as entrepreneurs hypothesizes that when other revenue sources become less available, NPOs could become more commercial in order to generate a larger revenue/profit, which they can use to finance their provision of preferred public and quasi-public goods. In a nutshell, commercial or ancillary activities are defined to mean the degree of reliance on sales revenues rather than donations and/or government grants, the production of goods for sale that compete with goods produced by for-private firms, as we have seen in Chapter-6. They are lured into the non-profit sector by the tax and subsidy advantages that they gain therefrom. Thus, whereas the conventional, cross-subsidization hypothesis emphasizes the differences in objectives for NPOs and for- private firms, it views commercialism as a source of disutility, and sees increases in more ancillary activities – social entrepreneurialism – as a response to declining donation and grants. This emphasizes the similarities in objectives in NPOs and for-private firms, downplays the importance of disutility, sees donations as responding to sales rather than vice versa, and underscores the key role played by the opportunities.

The evidence

This study provides detailed empirical evidence from the case study organizations that enables us to explain and evaluate the growing entrepreneurialism among NPOs. In Chapter 4, one of the sections that cut across NPOs asks: Did the slower growth rate of donations over the past decade cause increased reliance on ancillary activities? The answer is positive: using all Five-Year Plan data, it has been found that sales revenues increased significantly when the growth rate of grants and donations decline (Ravichandran, 2004 a & b). However, it has been noted in the present study that sales influence donations rather than vice versa. For example, in the case of a corporate based SSOs-JYOTI Foundation, entry fees generated through art gallery have been shown in its audit statement as 'donations'. The cost of entry fees is much more costlier than the profit-firm run gallery or entertainment place. Similarly SADHANA Center that sells the chair, clothes, etc.. It is proved by the vector auto-regression model that allows for simultaneous determination of donations and sales. The study finds that sale influence donation, rather than vice versa. When the data are disaggregated by NPOs, the correlation between sales and donations is positive for some – most notable for SSOs, IGOs and HSOs, and negative for others. On the whole, this is not convincing evidence of cross-subsidization based on preferred versus non-preferred goods. Rather, the simultaneous determination of approach is consistent with the idea that revenue maximizing NPOs can charge lower prices / fees than they could if they viewed donations as exogenous (for instance, JYOTI Foundation distributes medicine in the villages without conducting any needs assessment). That is, NPOs' reluctance to rely on sales revenue may stem more from its expected impact on donations than on its disutility to them. A positive relationship between sales and other revenues seems to exist among the study organizations (see Table 4.3) primarily in multi-product income generation /ancillary activities, where donations may be targeted to goods where price finance still does not work and cross-subsidization from the more profitable goods is not expected. As a result, NPOs and for-profit firms behave in very similar ways with respect to quality of services and efficiency. Indeed, this co-existence and similarity, largely stemming from a common reliance on third-party price finance may have led to the diminution of the public-policy privileges for NPOs described in the study. Consequently, the rationale for remaining NPOs appear to be disappearing, as we have observed from the study, a wave of conversions, contracting out arrangements from NPOs to for-private firms, etc.

The other major change in balance between NPOs and for-profits has occurred in the agricultural area, where the lines between NPOs and for-profits are increasingly blurred (for e.g., SUR Foundation's seed selling, TRISHNA Trust's bio-tech area). This describes the many changes in the regulatory policies that set the stage for these developments. In other words, public policy changes probably are not exogenous; rather, they are probably endogenous responses to changing the socio-economic circumstances. After the initiation of globalization, the trade and capital investments expanded and, global economic competition increased and this required a shift from philanthropic to community contribution to social entrepreneurialism to sustain the organization itself. Three key points are especially worth noting: (1) the change in the behaviour is due to change in the economic competition – in particular, the removal of constraints that closed off key avenues of commercialization to NPOs, at a critical moment in time, permitting large new opportunities to open up. (2) Changing public policies are themselves an endogenous response to changing perceptions of the domestic economic benefits from community financing to entrepreneurial approach. And, (3) NPOs are responding enthusiastically and moving at a slower pace with few changes in underlying economic conditions and legal constraints. Chapter–6 finds that art museums, special events for raising funds, sales revenues in place / in the form of donations have increased, but only in proportion with other revenues. As grants and assistance support the establishment, out-reach programmes, camps, the maintenance and normal operating expenses that they generate must be covered from elsewhere, and services and products have turned to fees, prices and charges from auxiliary operations for this purpose. Still, the proportion of revenues, at this stage, from auxiliary or income generation activities has remained low or constant, as grants and assistance are constant.

Revenue generation activities by NPOs should not be set aside as inefficient and counterproductive. They offer real advantages, despite the problems they pose. The present study found evidence of significant advances resulting from cooperation between IGOs and for-private firms. Such partnership activities have reduced the dependency on grants, and assistance is efficient in the sense that it imposes the marginal cost, given the resources already available for production of mission-related activities. Thus the analytical framework of social entrepreneurialism that NPOs select particular revenue-generating activities deliberately, reflecting such variables as their ability to take the labour and capital used for their central, mission-related activities and use them to produce other ancillary outputs.

Although many NPOs feel a pressing need to generate additional revenues because of grants and assistance having been cut, auxiliary activities with cautious entrepreneurial approach are adapted owing to the loss of reputation and donations. Will these activities change or shape the NPOs' behaviour? One cannot predict at this juncture, given the possibilities of cross-subsidization on the one hand, and negative interaction among financing sources on the other, as Chapter-5 has noted. However, in Chapter-6 it is observed that NPOs are looking for auxiliary activities that are a natural outgrowth of their primary missions. TRISHNA Trust is thinking of opening a milk diary, SUR Foundation is planning to open a training center, UDAY Society is setting up a field practice area, and so on. Though some concerns have been raised about the welfarism and commercialism, on the whole, NPOs pursue for-profit alliances and modes of behaviour for economic liberalization for sustenance. It is difficult to discuss whether the removal of constraints or the increased financial pressure for cross-subsidization is the greater motivating for auxiliary activities / commercialism; probably the two interact, creating greater opportunity and greater need at the same time. In other words, the quest for organizational survival has led to seeking alternative financing sources, and these are likely to rely increasingly on commercialism directed toward a non-target population. Thus, these occurrences are all consistent with the study findings which views many (but, not all) NPOs as quite willing to react opportunistically to the changing globalization process in order to maximize its revenues rather than as being driven by non-pecuniary altruistic objectives reluctantly to undertake auxiliary activities. Therefore, public policies can be viewed as an endogenous response to changing economic conditions that make it desirable and feasible to shift the balance from public to private goods with entrepreneurial approach to sustain the social development partnership and the benefits.

Merits of the Sustainable Framework: A Matter of Behaviour

As we have seen in the report, in this era of globalization, successful implementation of development programmes requires appropriate policy framework formulations of suitable schemes and effective delivery machinery. Because development is a process of mutual endeavor, it calls for people's involvement. It has become increasingly difficult to respond effectively to the growing and diversified needs of a vast majority of the population. On the other hand, to some extent, success of NPOs depends on how they sustain their benefits related to their level of development partnership with the community and its needs. Most NPOs do not recognize the broad scope they have for determining their actions. Achieving perfection is an ideal in attaining a goal, but it is not a realistic objective for most NPOs. In other words, sustaining the benefits is more important than the organization surviving. Trying to exist at the cost of neglecting the mission will only prevent the growth and development of the organization.

Nonetheless, the experience of the study reflects NPOs existence in different life situations, having different commitments and responsibilities, and life goals. Many times, NPOs presumed to be broad and varied, and determined the community needs and requirements. Due to this, many NPOs face increasing financial pressure because the gap between their resources and what they see as 'social need' is growing. Grants and assistance and donations have decreased in real terms, as well as other means, to determine NPOs' attitudes being entrepreneurial, as depicted in the previous Chapters. This needs to be identified clearly with definite goals and expectations so as to achieve them. This can be achieved only by means of integrating the organizational mission into the entrepreneurial approach for sustaining the financing as well as the benefits. This reminds us that constantly providing services, something of value to people, will change with the times. That is, NPOs work to help the people, to raise their standard of living, to improve their lives, NPOs are serving the needs of society. This is the meaning of being voluntary, non-profit, and an entrepreneur.

From the study, it is understood that a large proportion of NPOs are willing to take risks to change the behaivour of the community. Only a small proportion of NPOs, which depend, external assistance, let the conditions control their behaviour, whereas NPOs that used entrepreneurialism prompted their behaviour to control the financing conditions. That is, success remains with sustaining the benefits which depends upon the NPOs' ability to make good decisions and manage them well.

The Practice of Social Entrepreneurialism

Organizational Characteristics

Leadership

Success in sustaining the benefits is based on successful leaders, whether they have small development partnerships or a larger numbers of financing sources. By the very nature of their mission, NPOs are natural leaders; they seek opportunities, initiate partnerships; and mobilize resources to carry out the benefits. They set goals for themselves and the community; and direct and guide others to accomplish goals. With respect to the last point, the better way to accomplish the tasks (of organization mission and programme goals) is to prepare a second layer leaders so that continuous growth, improved efficiency and continued success in sustaining the benefits as well as organization are ensured. There is no one best way to achieve the mission and vision (see Chapter-5). As leaders, NPOs have the main responsibility for developing staff. Adoption of entrepreneurialism, within the organization, tries to use the staff in the most effective manner, which helps to achieve their potential to develop the organization's potential as a leader. Thus, sustained success lies in an effective person-oriented leader who can develop and involve staff in accomplishing the organization mission.

Having Measurable Mission

As seen in the study, many NPOs do not have a clear-cut, defined, measurable potential mission which can be evaluated (see Chapter-6). This situation involves potential success and potential loss. The greater the possible loss, the greater the risk involved. Many NPOs do not think of keeping or altering the mission statement, regardless of the probabilities of success. They prefer to stay in secure positions and look for the 'magic pot of gold' or some amazing streak of luck to keep them in good financial conditions. These NPOs are influenced by the size of the problems, but not the efforts required on their part. Attracted by hopes of high returns with little effort, they are pure gamblers.

The meaningful and measurable mission of NPOs is different from those of the one mentioned above, although the social entrepreneurialism shares certain characteristics with them. Adoption of social entrepreneurialism will root them systematically and thoroughly assess the likelihood of their efforts and the extent to which their efforts can influence this likelihood. That is, social entrepreneurialism defines a realistic goal and its measures which are important. Such realism serves to restrict the NPOs activities that link the mission in which NPOs can affect the outcomes. This invites creativity and innovation, and it is an essential part of turning ideas into reality. Having a measurable mission decreases the dependency on others such forms as donations, grants and assistance.

Believe in Collectivism/Mobilization

Social entrepreneurialism realizes that success lies with community mobilization. Community mobilization is an important part of organizational growth; it is also useful in maintaining the social development partnership and sustains the benefits i.e., sustainability. When other (financing) sources are responsible for the (NPOs) actions, it means that NPOs have less control over their own missions, as illustrated in this Chapter. Social entrepreneurialism assumes timely responsibility in mobilizing the community and its resource to overcome the dependency. Social entrepreneurialism prompts change, but it never forces it, it waits. Not only does social entrepreneurialism believe that the community has the capacity to formulate and implement the activities, but it also has the capacity to control and direct their various aspects. That is, social entrepreneurialism is goal-oriented, highly creative and innovative and willing to change with the times.

Community ownership: Overcomes impasse

Social entrepreneurialism engages the collective decision-making process and provides equal responsibility to the organization, the staff of the organization, the community and the donors. It puts every problem in its broader context, taking into account the fact that a major decision will have long-term effects on partnership and the sustainability of the benefits. Success depends on the NPOs ability to involve the community in making decisions which improve the ownership of the programme. Community ownership is a first step in the process to success. It visualizes the results of a certain course of action. This is lacking in the NPOs sector. For instance, most of the organizations which involve the community for only specific and limited activities, can see only parts of the problem. This rational approach is a logical and sensible way to solve most of the problems and overcomes the increasingly complex situations. In other words, problem solving and implementing the solutions is not difficult when the community is involved in the decision-making process and owns the programme.

Cooperation and Collaboration: Operational Plan

Effective social entrepreneurialism assumes planning, so that no decision is made without the cooperation and collaboration of the community, the organizations that are present at the local level, government and donors whose responsibility is support the needs of the organization and fulfill the requirements of the community. Constantly changing the conditions requires that the organization has foreseen an exit plan well. An important purpose of cooperation and collaboration is planning to avoid duplication of implementation, to avoid repetition and to enable effective utilization of resources as well as to control the factors necessary to implement the plan successfully. Although long-term plans may be changed, cooperation and collaboration provide direction for all activities. The organization cannot afford to stay in a particular area for a long-time. It is important that NPOs have tight control over the more entrepreneurial aspects of approach and delegate control of all other aspects to the community. Once the community has demonstrated that they are capable of assuming responsibilities, authority should be delegated to them and the NPO should leave the place and move to an other area, where NPOs are required to bring about similar change. In other words, an organization should be based on the primary needs of the community and not on any organizational/ personal motives. This requires the organization's ability to engage both in short and long-term planning and to determine and achieve the goals that are planned.

Perhaps successful planning helps to establish precise outcomes as a result of cooperation and collaboration which require community involvement and ownership. In this regard, an exit plan (from the area) is an essential but difficult task to digest, and is similar to problem solving. First, NPOs must have their operational plan to exit from the present area. Next, NPOs must link the community with the resource centers to develop a possible strategy to achieve the planned goals, and develop specific tasks to accomplish each goal. Thus, social entrepreneurialism implies change and requires a plan to sustain the organization by preparing an exit plan.

Sustaining the Financing and its characteristics

Financing: Facilitating but not positioning

Social entrepreneurialism means making the community self-reliant and value the resources that they have or exist. It identifies those aspects that are vital to its development. NPOs are, in general, eager to improve their performance – to eliminate weaknesses; increase strengths; to learn from both the successes and the failures and to plan for the future. Facilitating is an NPOs job as the entrepreneur. The community is involved in the planning process, but the NPO must accept the responsibility for goal setting. In an arbitrary fashion, both organization and community must take up the goal-setting process and make the allocation of resources accordingly. That means NPOs should not be involved with expenditure details or sales details but rather with total service coverage and its benefits. NPOs need to set the guidelines for user fees, service charges and product prices that are affordable to the local community and those who can utilize the same. This is called non-profit motive and it is a self-reliance of both organization and community. But, contrarily, all study NPOs focus outside target populations for receiving support and do not think of rejuvenating the resource utilization within the community. This is one of the reasons for why NPOs are not able to sustain themselves financially (see Chapters - 6).

In addition, NPOs see cash as a resource to be managed. In too many NPOs, the cash flow is seen as an important vector for organization growth. This is not so. Controlling cash by reducing interest expense and human resources means having liquid resources available to take advantage of profitable opportunities and therefore NPOs must control the availability of accessing grants and assistance for subsidizing the service cost. However, cash planning and control are essential for the service delivery (with no profit mode) but does not matter for amateurs. Perhaps, this facilitation process of social entrepreneurialism calls for standardizing the setting and the control of performance as well as people's involvement.

Developing Value Attitudes towards Resources

All activity revolves around funds/money. When more funds/money flow into an organization than out of it, there will be profits or surplus. Knowing how to be a social entrepreneur in managing financial affairs is essential to being sustainable in partnering and continuing the benefits. Being a social entrepreneur requires more than funds/money and resources. It is just the 'will' and determination to execute the same. It has been noted from the study that many NPOs converted their surplus into assets. The acquired assets/ resources are not utilized for sustaining the benefits nor allow the community to access it, but used for organizational sustainability. In the case of social entrepreneurialism, the resources are used efficiently and have the composition of mix funds. That is, excess/surplus resources are rewards, some to be withdrawn and some to reinvest to build up the equity. In other words, the strategy of social entrepreneurialism promotes equity funds which should come from the community rather than from donors or external assistance. For example, if there is a government run primary health care center, NPOs could strengthen the center on a mutual benefit basis. Rather than establishing another clinic, the funds/money can be converted to establish a specialty care center or a mobile van can be purchased for the community transportation purpose. In this way, NPOs can generate the resources such as land, building, and other operational costs from the community to reduce the external financing.

Interestingly, all NPOs have differential strategies for user fees, service charges, and product prices to the target populations (see Chapter-6). But, it is not surprising to note how and why NPOs are not able sustain the benefits or generate resources. It has been observed from the community that quality services are not maintained at the expected level of the community and referral services are not perceived as necessary while the cost of the service or price of the product is almost equal or more than that in the commercial sector. In the name of non-profit, in general, NPOs make profits. Due to these reasons, the community prefers to go to the commercial sector where they can receive perceived quality services for the same cost. This shows that before establishing a fee system or setting the fees for resource mobilization, there is a need to find out what the competitor charges for its services and base the prices on that. It is rarely as simple as charging exactly what the competition is charging. At the same time, the service that is been provided likely to be somewhat different quality with unique features, and so too clients/community.

Thus social entrepreneurialism cautions that just comparison alone may or may not identify all strengths and weaknesses and, probably, will not give the expected results. As social entrepreneurs, NPOs have to take a long-term view of the organization's position changing with the times. This strategic positioning should not only account for the organization's view but also from the point of view of continuing social development partnership and sustaining the social benefits. This calls for action meetings with the community for feedback and further discussion, which must lead to action.

From the above discussions, it is understood that operations of financial leverage come from the community. And, there is no necessity for depending on any external support which is ad-hoc. This is the capital for any organization. In other words, there is no point in obtaining additional funds from any sources. Thus, the 'will' to execute the plan is an important aspect of being social entrepreneurs (with finance). No social welfare activity can succeed under even the most enthusiastic and confident NPOs without the full-support of the community and others associated with them. It is for the NPOs to recognize that people represent the asset/financing.

Utilization of Resources

Social entrepreneurialism calls for effective and efficient utilization of resources, as it identifies two scarce resources: financing sources and human resources. Human resources are an important asset in any organization. This calls for not only developing a second layer of leadership and their attitudes, but also their skills and knowledge to carry out the planned mission and vision of the organization and the community as well. The study findings suggest that by merely considering possible alternative future strategies for financing or expanding the organization, most NPOs have a choice between operating units that are either largely 'labour intensive' or 'capital-intensive', as illustrated in Chapter-6. In other words, the choice is between either hiring additional staff, or investing in new capital items such as buildings and equipment. For instance, NPOs that are planning to expand their operations or have experienced staff turnover, perhaps require additional staff appointments as well as some capital investment. This is commendable but most NPOs, believe that they can motivate the (existing) staff to work positively in taking up additional responsibilities rather than opt for a labour-intensive solution.

Most NPOs believe that ultimate, by financing source is the sale of products and services. NPOs are competing increasingly with for-profit firms, and in an amazing variety of forms. The competition between NPOs and private firms is made even more complex by the fact that at the same time, NPOs are moving into activities (in the form of income generation activities) that have previously been the domain of for-profit firms. Private firms are expanding into the traditionally NPOs arena. This is a trait common between 'haves' and 'have-nots'. NPOs must be able to develop market opportunities within their environment.

Nevertheless, at the same time, the for-private firms have a vested interest in NPOs' activities, and the relationship between the two sectors takes on great complexity. For instance, NPOs receive many subsidies that can be converted into something saleable to private-firms or consumers. How should we look at all these market-oriented changes? Are they helping to strengthen NPOs and making them more effective contributors to meet the society's needs, or are they weakening NPOs, diverting their efforts, leading them into an economic behaviour that is counterproductive – perhaps even undermining public support and will? The implications of NPOs' focus on raising revenues and their social mission are well understood by the education and health care aspects partnerships which are increasingly common, lucrative and contentious. The invasion of commerce in NPOs has been "an epic clash of cultures between commercial and professional traditions" (McArthur and Moore, 1997). Other researchers see NPOs emulation of, and involvement with, private firms as a sign of efficient resource utilization.

Partners for Sustainable Development

For government agencies, reliance on NPOs' service providers reduces its own visible roles, because services occur in locations and under auspices that are not public. This obscures public responsibility for failures by providing government agencies some other organization to blame. It reduces programme start-up costs by accessing existing (extra-) governmental infrastructure, increases flexibility by making it easier to reallocate resources and maximize control over resources while minimizing responsibilities for direct administrative supervision. The use of NPOs' services provides government a way to document its attention to local control, because NPOs are presumed to represent local interests. It also strengthens the public mission. However, contrarily, the study experiences show that NPOs receive support from government but they do not strengthen the existing system. Instead, they create a parallel system. Should problems in service delivery occur and come to public attention, NPOs almost always point to inadequate government funding levels, arbitrary decision by government authorities, burdensome report requirements, etc. However, they view themselves as prompting the public good and can point to their non-profit or charitable status as documentation of the claim. Those who have public funding have additional advantages. NPOs have expert knowledge about the clients and services, they can provide detailed documentation of how policy changes have direct effects on specific clients and their own organization. They become, therefore, difficult for government to ignore or dismiss and are frequently included in the local planning stages of public policy formulation as well.

The involvement of NPOs in the provision of public services raises fundamental questions regarding whose interests are being served and where accountability is located under these funding structures (Chapters 4 and 5). These questions are most obvious when government agencies contract with public corporations, but they are no less important in the case of NPOs. When NPOs earn commercial revenues, they inevitably serve private interest. When they obtain access to subsidies that either reduce donations or absorb public grants and assistance tax receipts, some accountability must be ensured in the interest of the public, on the one hand. On the other hand, the question is debatable, because public interest is served when private interests are met. Under the driving force of globalization, Indian society promotes economic liberalization in which market transactions are fully institutionalized and widely encouraged. Under this approach, NPOs' market transactions are desirable to the extent that they solve problems of financing and are able to maintain a social development partnership with the local community and sustain the benefits. At the same time, NPOs' commercial transactions might pose a threat to the viability of small businesses and free market capitalism while exploiting the price advantages over for-private firms. Traditionally, it has been justified that NPOs commercial receipts directly support their voluntary services by allowing them to cross-subsidize their own services and expand the range of the public goods they can provide. That occurs when NPOs cater to non-target populations sufficiently high fees in one service arena to underwrite in full or part the costs of providing less marketable services to the target area/population that lack the ability to pay, as illustrated in the Chaper-6.

However, this type of community financing through user fees, service charges and product prices has met controversy, especially from within the NPOs sector itself.

As depicted in this chapter, some argue that increased dependence on commercial types of revenues will undermine the rationale for non-profits and threaten their legitimacy. This argument is consistent with expectations based on the resource dependency perspective, which suggests that if NPOs rely on market transactions, they are likely to let market forces drive organizational decision-making. They may therefore lose the 'non-profit' character, conflict with or subvert the substantive goals articulated in the mission. Certainly, organizations that rely on fees are much less likely to serve low-income clients, as illustrated in Chapter-6, particularly in the education and health sector. The findings on the special events raise similar issues. At present, special events provide a relatively small proportion of total revenues for most NPOs and therefore have more limited economic value than fees and other commercial revenues. Similarly, the findings on NPOs-private firm collaboration raise questions (Chapter-4). As a result of these forces, NPOs and for-profit NPOs co-exist and behave in very similar ways, with respect to quality services, degree of uncompensated care, efficiency and cost behaviour. Consequently, the rationale for remaining non-profit appears to be disappearing. Even in the NPOs involved in commercial ventures to fulfill their community needs and sustain the benefits, there are no effective structures of accountability and regulatory mechanism in place to ensure that they do so. However, the regulation and accountability should leverage the (local) financing options.

As Sosin says, NPOs that rely heavily on grants and contracts risk becoming part of an organizational sink in which government submerges its problem, as they fail to attract the community. This may be another example of social loss. Here, however, the framework of social entrepreneurialism proposes some measures for NPOs' accountability and sustainability as well:

- Policy should reflect better understanding of the growing complexity of NPOs' activities, as more of them produce outputs clearly unrelated to mission activities on to their tax-exempt purpose. Therefore, the use of organization's legal status to determine tax-exemption and subsidies and other privileges to be redefined.

- From the study findings, we see NPOs activities are attracted to commercial mechanisms to generate additional revenue. Have they become indistinguishable from the private sector? The fundamental issue is how, if at all, financing or revenue sources affect an organization mission and its behaviour. These questions have significant implications because at the root is the question whether the organizations in the rapidly growing NPOs sector deserve the subsidies and tax exemptions they receive from individuals, governments, and grants and assistance. At the same time, there should be a clear-cut definition and/or condition for conversion from non-profit status to profit and a plan for gradual withdrawal of 'non-profit' status.

- As we have seen in the study NPOs meet specific funding demands or preferences. It may not give any added significance to such non-profit oriented goals. Although these concerns have considerable validity, board members do not exercise extensive control over NPOs activities. There is a need to develop specific measures that ensure the board members' participation effectively in controlling non-profit financing activities.

- NPOs should have an exit plan for one operational area to another area where their expertise required. This not only ensures sustainability of the organization but also constructs effective interventions for sustaining the benefits of its operations. For Instance, NPOs should not be allowed to stay more than 6-7 years in a place and should move to another area where its interventions are required. If NPOs are not willing to change or adopt exit plan on time to time, i.e., one operational plan to another within the specified period, its 'non-profit' status may be withdrawn.

- The nature of Government policies and the structure and size of the tax systems indirectly modify demands for NPOs' services. However, the amounts, purposes, and forms of government spending directly shape the community needs and service demands that non-profits encounter, whether or not they have any funding themselves. Because of this, standardizing the NPOs' registration process with outcome-oriented indicators is more important for accounting them.

- The diverse funding structures under which NPOs operate raise important questions, therefore, about what services are available, to whom and at what costs. Inevitably, services are available to different populations, irrespective of their target clients or their strategic positioning. Inevitably the costs are high, as illustrated in the study. There is a need for regulating such acts among NPOs. In this regard, public policy goal should ensure that public revenues are indeed being used to provide public rather than personal well-being.

- Last but not the least, volunteerism for social change needs to be promoted.

CHAPTER EIGHT

REGULATORY CHALLENGES AND NON-PROFIT WELFARISM: PUBLIC POLICY ISSUES AND THE ROAD AHEAD

Why do we care about NPOs? Why do we care about commercialism among NPOs? Should special privileges given to NPOs be withdrawn as NPOs become more like for-profits? To answer these questions, it may be useful to recount the reasons why public policy creates a special legal category for NPOs and gives them special tax and subsidy advantages in the first place.

Mission Vagueness

What is more commonly observed, however, is ambiguity as to the effects – ambiguity that reflects the typically broad scope of the mission. The study has found that in the light of such mission vagueness, it is understandable that NPOs typically claim there is no conflict – that profit-oriented activities are not simply generating funds but are simultaneously advancing the organization mission (which is not laid down in writing). The community rights groups of UDAY Society, for example, hold that (the formation of) small savings group, multi-dimensional social goals are not merely a commercial activity to raise money, but an exercise through which the community women and men gain experience that helps build their characters, strengthen their unity and impart business skills. What, then, are the limits to the goods that might be sold in pursuit of that mission. The complexity is not a weakness of NPOs but rather a source of considerable difficulty in identifying and measuring their success or failure and thus making them accountable. This shows that mission vagueness is fundamentally important in predicting and evaluating NPOs' behaviour: it makes the operational definition of unrelated mission activities inherently problematic; it explains why NPOs can undertake an ever-widening array of revenue enhancing activities that the organization can argue are related to the mission, and hence is not clear.

Mission abstraction permits NPOs to alter behaviour in response to changing financial constraints, while – at least arguably – continuing pursuit of the same goals. Means and ends are easily confused when goals are vague, and the wider the scope of the mission, the greater is the challenge to organization leadership, prospective donors and the community to determine whether the activity is mission-related. For another instance, AATMA Institute started its mission with goals of community development through adolescents but AATMA Institute never involved adolescents in the community or developmental activities. Instead it involved adolescents in the recreational activities, gym and health information center for almost the whole of the last 12 years without any ending. Narrowness of mission focus is not inherently desirable, nor is wide scope inherently undesirable. Breadth permits latitude for the organization to adjust to changing external conditions, and such flexibility is necessary for efficient use of resources. However, the vagueness of many mission statements implies an inevitably large element of judgment to define which specific activities are, or are not substantially related to the mission. Hence, the importance of (various) NPOs not simply providing certain goods or services but reaching particular target populations and fulfilling their mission related activities.

Tax and Subsidy Advantages

Historically, most NPOs were religious organizations which behaved as social change agents that started schools, hospitals and multi-benefit social welfare organizations to serve the disadvantaged, marginalized sections of the population. That is, NPOs thought they existed to provide public goods and to expand consumption of quasi-public goods by needy groups, as noted in Chapter-2. From a political economy perspective, they may have received special tax treatment because of the country's legal strictures on maintaining a separation between welfare state and profit state, as illustrated in Chapter-1. As society became more secular, so too did these organizations; but, they remain concentrated in areas such as education, health, and charities where externalities are thought to exist and where the price mechanism could not be relied upon to achieve optimal results. Subsides and tax privileges to NPOs are given to encourage donations and to overcome the free rider problem that exists where exclusion and pricing are not possible. Nonetheless, public policy earmarks these privileges for organizations that agree not to distribute their revenues for private use in the form of dividends or capital gains, because the government cannot observe the detailed behaviour of many decentralized organizations. Indeed, if 'for profits in disguise' are enticed into the field by the existence of tax privileges and subsides, it is a proxy, and leads to hiring staff with training similar to that in the for-profit firms (as it is observed in Chapter-6). In that case, *the non-profit status is no longer a reliable signal for trustworthiness* or for the desire to do good – which were the rationale for the tax privileges and public subsidies.

Given this background, increased commercialism by NPOs, as we have observed in Chapter 6, enables them to pursue their altruistic mission better by providing revenues which should please both public and private donors. However, balanced against this are a number of problems it creates or new situations it underscores. It may signal that the service provided by NPOs can now be financed by the community and/or price mechanism, due to the change in the socio-economic conditions, so that grants and assistance are no longer needed. In this case, private donations are likely to diminish over time, as donors shift their money to other areas where they are less dispensable. Since donations are diminishing, tax exemption for philanthropy does not pose a new public policy problem, but other tax privileges may merit reconsideration.

Additional policy questions are related to abuse of income tax exemptions for NPOs when auxiliary production is large. From the study, it has been found that NPOs with auxiliary activities report lower general and administrative expenses on the one side, while the revenues generated through auxiliary activities are referred under donations on the other. This suggests that a large share of their general expenses is attributed to activities un-related to the NPO's mission, thereby sheltering the sales revenues from taxes even though these activities are not supposed to be tax-exempt.

The present study has documented not only the many fascinating new forms of profit-oriented auxiliary activities, but also the complexity of determining whether use of those finance mechanisms which mimic private enterprises, is consistent with their social mission. The choices also reflect the flexibility in deciding which activities can be taxed as being unrelated. Thus forms of fund-raising activities / revenue generation activities can be expected to evolve over time, in response to change in the global scenario, in addition to further cutbacks - should they occur - in government support.

Buildings with depreciation could be treated as costs of unrelated mission activities rather than NPOs. Because, NPOs do not need these costs to shelter their regular income, which is automatically tax-exempt.

These costs may be true joint costs that cannot be disentangled between non-profit and auxiliary activities or they may be costs that could be, in principle, disentangled but cannot readily be monitored. In the latter case, this attribution means that the government gets less tax revenues from the auxiliary activities than it should, and other firms and/or households and/or individuals must be taxed as a result.

NPOs also benefit from property tax (such as land and building) exemption. Chapters 5 and 6 illustrate that NPOs tend to engage in commercial activities disproportionately while giving them a large comparative advantage over 'for-profit' firms. For example, the property used partially for income generation, particularly property with large depreciation potential, may be counted as the organization's property that is exempt from property tax, thereby enabling NPOs to undercut 'for-profits' producing similar goods, distorting the choice of organizational form, and further reducing tax exemptions.

In general, when NPOs engage in both profit-making auxiliary activities and non-profit activities producing both public and private goods, it is natural to try to segment the income and cost flows between the two so as to maximize the value of the tax exemptions. This is particularly problematic for public policy if the NPOs cannot be counted on to use the resulting revenues, via cross-subsidization for socially useful purposes. Since the value system in NPOs may itself change as commercialism increases, it may be that such exemptions should gradually be withdrawn, once the auxiliary activities of an organization exceed a specified point.

Constraints needed

The causes and consequences of entrepreneurialism are not abstract issues. NPOs' ancillary activities are bringing about revolutionary changes in traditional behaviour, and in the process, they are blurring the distinction between non-profits and for-profits firms. Previous chapters have identified many forms of NPOs revenue generating activities, but new examples appear almost daily. However, the rationale for constraints are presumably the potential conflict between the profit making behaviour and the public good maximizing behaviour, and an unwillingness to rely on the non-profit status alone to resolve this conflict in the public interest.

Study findings illustrate that usually there is no much difference between non-profit and the for-profit run schools in the fees and the service charges for hospital or health care services. Increased scarcity of governments grants, combined with removal of constraints on user fees / service charges, introduced this conflict into the non-profit status. Although community financing / contribution makes more resources available, it directs the nature of social development partnership and sustains the benefits in the long run. In this case, are allocation of free land (by government) and cross-subsidization required to continue? Is this shift in values good for education and for the economy in the long run?

NPOs can be expected to increase their efforts to push outward the margins of the kinds of revenue producing mechanisms they use. The constraints have a number of dimension, including: whether an activity should be subject to taxation as an unrelated mission activity; and, which activities are regarded as inconsistent with the NPOs' mission, hence, as justification for withdrawal of their tax-exempt status.

Although the study analysis generally reflects the concerns about the balance between the drive for revenue and adherence to social goals, the precise nature of the sacrifices that NPOs make to raise revenues are seldom clear-cut. Increased ancillary activities are not ideal. The more important question, though, is whether its many forms, encompassing user fees, service charges and product price and various ancillary outputs, are preferable to the alternatives. However, collective goods (for TRISHNA Trust diary milk and seed selling concept of SUR Foundation) mission and behaviour that may be inconsistent with that mission, difficult choices result. Those could include greater dependence on government through grants, tax subsidies or tax exemption of donations or diminished output of collective goods.

Revenue and Cost Constraints

As we all know, revenue limits the organization, and the nature of those limitations is not simple if the revenue sources are interdependent and responsive to the organization's decisions. It has been noticed that NPOs may be concerned about the effects of their decisions to increase revenue through community financing and/or auxiliary activities and on their revenue from yet another source, donations and grants. Such interdependence may or may not favour the efforts. However, decisions to produce stable outputs also may affect both revenue and costs. Thus, NPOs might be enabled to expand their mission-related outputs not only by increasing revenue but also by decreasing costs; and, increased production of some auxiliary activities could reduce the production costs for the organization's mission-related outputs.

As noted by earlier studies, both forms of commercialism - user fees and ancillary activities - have the potential to generate revenue, and both involve private goods, which can be withheld from any consumer. The key difference is that those persons served by the ancillary goods are of no special concern to the NPOs' mission, whereas user fees are charges made to consumers who constitute, at least in part, the organization's target population. The study has illustrated the potential conflict between pursuing revenue via user fees and achieving the NPOs mission when that mission is to reach some specific target population, but the pricing mechanism may keep out at least some members from the service loop. In this way, efforts to diminish resource generation and its constraints can have adverse side effects on the achievement of organization goals. Therefore, there is a need for promoting *entreprenuiralism* towards fulfilling the organization mission and sustaining the benefits.

Conversions: How can Society's Interest be Protected?

Should anyone care about whether NPOs become increasingly commercial? Yes. Many care about it: taxpayers who are affected by the subsidies to NPOs; consumers of these organizations' services; policy makers and regulators; private firms which are affected by NPOs' ancillary activities, etc. From the present study, it is seen that revenue-generating sources are changing. What forms they are taking and what the consequences of their use are likely to be are also seen.

An extreme form of commercialism occurs, as Chapters 6 and 7 have shown, when NPOs convert from welfare to auxiliary activities to generate additional revenue and/or maximize the profit margin, as has been occurring most notably among NPOs, irrespective of their category, in particular SSOs, HSOs and IGOs. Presumable conversion/ collaboration occurs when the advantages of the 'for profit' status outweigh the advantages of the non-profit status. This may be socially desirable if price finance is now so widely feasible that a public good has been turned into private goods, if access to equity capital is important in order to expand facilities/services, and if donations are no longer a large potential source of revenue. The problem is that top management diverts the gains to themselves personally as salaries and other fringe benefits and proceeds with expanding assets, rather than the gains and losses of the organization as a whole. This kind of abuses of tax privileges e.g., through cost shifting, may be minor and correctable in comparison with the gains in NPOs' services. Several such instances are reported in this study. This kind of practices thus raises issues around who should be permitted under what conditions / procedures (Should competitive open bidding be required?), how the NPOs' assets should be valued and how society can be compensated and who should manage the profit-oriented and/or the compensation funds.

Drawing a distinction between abstraction of mission and flexibility of resources use is both difficult and important for two reasons: to predict NPOs' responses to exogenous changes in regulatory, financial constraints and to assess the accomplishments of NPOs in achieving their goals. Without that determination, the true extent of NPOs' contribution cannot be identified.

We have seen in the present study that NPOs are expanding into activities that compete with for-private firms. Sometimes, the effects are favourable, but involving not competition, but collaboration. This may or may not be socially efficient, but it is clearly adverse on the other sectors of the economy – private enterprise, for instance. Thus, most of NPOs' taxable activities actually go untaxed, as NPOs are typically successful in allocating enough joint costs to the taxable activities to eliminate reported profits. The loser is the society.

Overall, it appears that marginal and global changes in institutional and economic conditions suggest that altruistic objectives may never have been far from the surface. When faced with large new opportunities for *entrepreneurialism*, many NPOs seem quite willing to set aside their altruistic objectives in order to sustain the social development partnership and the benefits as well (see the Social Entrepreneurialism – the Framework for Choice). Nonetheless, the policy goal should be to ensure that public resources are indeed being used to provide public rather than private goods and to promote social rather than personal welfare – even though these categories are admittedly ambiguous and imprecise.

Indicators of Development

Unless operational indicators of NPOs' outputs in various development measures are developed and standardized, the debate will continue over how to operationalize such achievements or failures in goals and mission.

Public Policy towards Sustainability

Chapter after chapter has focused the importance of sustainability and of fiscal constraints from various sources, and how to sustain them explicitly with certainty about the promise of each prospective source. It is apparent that public policy affects the sustainability of NPOs, the ways NPOs are financed, the kinds of output they produce, and the mechanism through which the outputs are distributed. The instruments of public policy towards sustainability are far more complex than is commonly recognized, going beyond cross-subsidization, tax deductibility of donations, and tax exemption of NPOs surplus or profit and subsidies. Nonetheless, the present study proposes public policy encompassing incentives for NPOs to produce revenue-generating products in which the community stake / financing is enhanced. The study highlights the number of ways in which the study findings link with public policy towards (NPOs), maintaining the social development partnership and sustain the benefits – social entrepreneurialism –sustainability.

The study concludes donations, grants and assistance and community financing are likely to be interdependent – a change in one affecting the availability of revenue from one or more of the others – have major implications for sustainability. The social entrepreneurialism that alters the availability to NPOs of one sources of revenue to another which may not have unintended and unexpected side effects. In other words, the effect of decrease in grants and assistance on NPOs' pursuit of sustainability in the forms of increased community financing and auxiliary activities (for sustaining the benefits) i.e., social entrepreneurialism, can influence response to an exogenous change in revenue from any particular source.

BIBLIOGRAPHY

Abelson,R.1998. Charities Use For-Profit Units to Avoid Disclosing Finances. New York Times. February 9, pp. A1, A12.

Abrar A. Khan and Lisa Hare.1998. Sustaining the Benefits: A Field Guide for Sustaining Reproductive and Child Health Services. Published by CEDPA.

Alies, Roger.1995. You Are the Message. Currency: Doubleday.

Altman, L.K.1997. Drug Firm, Relenting, Allows Unflattering Study to Appear. New York Times. April 16. pp. A1, A12.

Annan, Kofi. 1998. Foreword. Agenda for Development. April 18.1998.

Bamberger and Cheema 1990. As quoted in Reddy, K.N.1992. in the Role of Finance and Planning : Sustainability of Projects in India. At Trainers' Workshop on Sustainable Social Sector Programme in India. Jaipur: Indian Institute of Health Management Research

Baum, J., and Oliver. C.1991. Institutional Linkages and Organizational Mortality. Administrative Science Quarterly. Vol.36. pp.187-218.

Ben-Ner A.1986.Nonprofit Organizations: Why Do They Exist in Market Economies? In Susan Rose-Ackerman(ed). Economics of Nonprofits Institutions: Studies in Structural Policy. New YorkL Oxford University Press. Pp.94-113.

Bennet, Jon and Gibbs Sara.1996.NGOs Fundraising Strategies: An Introduction for Southern and Eastern NGOs. Oxford: INTRAC Publications.

Bennett, J.T., and DiLorenzo.1989. T.J. Unfair Competition : The Profits of Nonprofits. Lanhamm, Md: Hamilton Press.

Berg, Andy and Gilman, Karen.1995.Get to the Point: How to Say What You Mean and Get What You Want. Kendal: Hunt Publishing.

Berg.J.1987. Non-Governmental Organizations: New Force in 3rd World Development and Policies. East Lancing: Centre for Advanced Study of International Development, Michigan State University. May 1987.

Berger.R., Knauft, E.B. and Gray, S.T. 1991. Profiles in Excellence: Achieving Success in the Nonprofit Sector. San Francisco: Jossey-Bass.

Berkowitz, Eric. N. 1996. Essentials of Health Care Marketing. Gaithersburg: Aspen Publishers Inc

Bhambhari, C.P.1987. “The Modern State and Voluntary Societies”. The Indian Journal of Public Administration, Special Number on Voluntary Organizations and Development: Their Role and Functions. Vol.XXXIII. No.3, July-Sept., 1987. 396.

Bhat. M.K et. al. 1999. Life Goes On. Sustainability of Community Development Programmes and the Withdrawal of NGO Support: An Enquiry into Expectations and Implications.

Bhattacharya, M.1987. “Voluntary Associations, Development and the State”. The Indian Journal of Public Administration, Special Number on Voluntary Organizations and Development: Their Role and Functions. Vol.XXXIII. No.3, July-Sept., 1987. 393.

Blodgett, Steven. 1984. The Evolving Relationship between the UN and International NGOs: An Assessment of the Need for Institutional Reform. CONGO: Geneva.

Bongartz, Heinz.1992. Development Theories: NGOs and Self-Help Organizations. Nepal Foundation Paper. Nepal Foundation for Advanced Studies. Kathmandu.

Brinkerhoff, P.C. 1994. Mission-Based Management. Oak Park, IL: Alpine Guild.

Brodhead, T and Brent, H.C.1988. Bridges of Hope? Canadian Voluntary Agencies and the Third World. Ottawa: North-South Institute.

Brundtland H. 1987.World Commission on Environment and Development. Chaired by Brundtland, Harlem. Our Common Future.

Bryson. J.M. 1988.Stregic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement. San Francisco: Jossey-Bass.

CEDPA. 2002. Building Sustainable Reproductive Health Services. New Delhi: CEDPA

Chambers, R.1983.Rural Development: Putting the Last First. Harlow: Longman.

Clark, J.1995. Democratising Development: The Role of Voluntary Organizations. London: Earth Scan Publications Ltd.

CORE.1998.Management Sciences for Health. A Tool for Cost and Revenue Analysis.

Dabel, Gregory J.1998. Saving Money in Non-profit Organization. San Francisco: Jossey-Bass. Inc.

David B.L. and David C.K. 1989. Understanding the Voluntary Organizations. Washington D.C: The World Bank.

David, F. Murphy. 1988. Business and NGOs in the Global Partnership Process. Presented in Partners for Development Summit. United Nations Conference on Trade and Development. Lyon. France November 9-12, 1988.

Desai, A.R. 1966. Social Background of Indian Nationalism. New Delhi: Popular Prakashan.

Druker, P.F.1990.Managing the Nonprofit Organizations. Practices and Principles. New York: HarperCollins.

ERAFE.1970. The Roles of Voluntary Agencies in Social Welfare in ERAFE Region – A Case Study. p-5.

Farhi, P.1997. Mapping Out a Greater Society: National Geographic Is Pushing Beyong its Yellow Borders into New Market Territory. Washington Post. January 27. pp.12-14.

Foundation Center. 1998. International Grant Making: Highlights of the Foundation Center's 1997 Study. http:/fdncenter.org/trends/ighigh1.html.

Frankel.K.Francine. 1978. India's Political Economy 1947-77: The Gradual Revolution. Delhi: Oxford University Press.

Government of India. Different Dates. Various Five-Year Plan. New Delhi: Planning Commission.

Gram Niyojan Kendra.1994.Emerging Societal Challenges and Voluntary Organizations: Challenges and Responses. Ghaziabad: Gram Niyojan Kendra.

Grant. James P.1973. The Development, the End of Trickle-down. Foreign Policy. Fall 1973.

Gronbjerg. K.A.,1993. Understanding the Non-Profit Funding: Managing Revenues in Social Services and Community Development Organizations. San Francisco: Jossey-Bass Publishers. p.6

Hall.P.D.1987. Abandoning the Rhetoric of Independence: Reflections on the Nonprofit Sector in the Post-Liberal Era. Journal of Voluntary Action Research. Vol. 16. pp.11-28.

Hartogs, N., and Weber. 1978. Impact of Government Funding on the Management of Voluntary Agencies. New York: Greater New York Fund/United Way.

Helleiner, G.K.1997. A Conference on Finance and Development? Presentation to the UN Second Committee. October 15,1997.

Hellinger et al. 1988. Aid for Just Development. Boulder, Colorado: Lynne Rienner; The Development Group for Alternative Policies

Honadle, George and Jerry Vansant.1985. Implementation for Sustainability – Lessons from Integrated Rural Development. West Hartford, CT: Kumarian Press. P-2.

Huggard, Marianne. 1980. NGOs and the UN System: An Examination of Formal and Non-Formal Consultative Relationships. CONGO. Geneva.

Independent Commission on Population and the Quality of Life.1996. Caring for the Future. Oxford University Press. p-.278.

Indian Institute of Health Management Research (IIHMR).2004. International Workshop on "Researching NGOs". Jointly Organized by IIHMR and London School of Economics on November 26-27, 2004 at Jaipur:IIHMR.

James. E.1987. The Nonprofit Sector in Comparative Pespective in Walter W. Pwell (ed). The Nonprofit Sector. A Research Handbook. New Haven: Yale University Press.pp.397-415.

James.E.1986. How Nonprofits Grow: A Model. In S. Rose-Ackerman (ed). The Economics of Nonprofits Institutions: Studies in Structural Policy. New YorkL Oxford University Press. Pp.185-195.

Korten, D.1986. Micro-Policy Reform: The Role of Private Voluntary Agencies. Working Paper NO.12 of the National Association of Schools of Public Administration. Washington DC.

Korten, David C.1989. Understanding Voluntary Organization: Guidelines for Donors. Policy Planning and Research Networking Paper. World Bank. September 1989. p2-3.

Kotler, Philip and Andreasen, Alan.2003. Strategic Marketing for Non-profit Organizations. Englewood Cliffs: Prentice Hall.

Kotler, Philip and Roberto, Eduardo.1989.Social Marketing: Strategies for Changing Public Behaviour. New York: The Free Press.

Kramer, Ralph.1981. "Voluntary Agencies and the Personal Social Services" in W.W.Powell (ed.). The Non-Profit Sector: A Research Handbook. New Haven: Yale University Press.

Kretzmann, John P and Mcknight, John L.1993.Building Communities from the Inside Out: A Path toward Finding and Mobilizing a Community's Assets. Chicago, IL: ACTA Publications.

Lukaszewski, James. E. 1992.Influencing Public Attitudes. Washington DC: Issue Action Publications.

Lyons, J et al.2000. The Performance Improvement Review Package: A Quality Assurance Tool for Community Based Programmes. Boston: SEATS.

Mathiasen, K III. 2000. Board Passages: Three Key Stages in a Non-Profit Board's Life Cycle. Washington DC: National Center for Non-profit Boards.

McArthur , John. H. and Moore. F.D.1997. The Two Cultures and the Health Care Revolution. Journal of the American Medical Association. Vol.277. No.12. March 26. pp.985-989.

McCarthy,K.D and Hodgkinson, V.1992. The Non-Profit Sector in the Global Community and R. Sumaraiwally Jossey. San Franciso: Bass Publishers

Moen Mathiot, Elizabeth.1998. NGOs and Grassroots Development Work in South India. Lanham: University Press of America

Monroe, K.B.1990. Pricing: Making Profitable Decisions. New York: McGraw Hill. Inc.

Mukherjee, K.K.1994. Emerging Societal Challenges and Voluntary Organizations: Challenges and Responses. Ghaziabad: Gram Niyojan Kendra.

O'Neill. M.1980.The America: The Emergence of the Non-profit Sector in the United States. San Francisco: Jossey-Bass Publishers.

OECD.1987. Voluntary Aid for Development: The Role of NGOs. Paris: Organization for Economic Cooperation and Development.

Operations Evaluation Departement (OED). (1986).Sustainability of Projects: Review of Experience in the Fertilizer Sub-sector. Feb.26. Washington DC: World Bank.

Organization of Economic Cooperation and Development (OECD).1998. New Release. Paris. April 9, 1998.

Overseas Development Institute (ODI).1995. NGOs and Official Donors. Briefing Paper 4/95.

Overseas Development Institute (ODI).1996. The Impact of NGOs Development Projects. Briefing Paper 2/96.

Peterson, I.1983. Academic Questions: Campus and Company Partnerships. Science News. 123. January. 29. pp.76-77.

Pratt and Boyden.1985. English Development Aid Agency Oxfam's Field Director Handbook.

PRIA.1990.Manual on Financial Management and Account's Keeping. New Delhi: PRIA

PRIA.1991. Voluntary Development Organization in India. New Delhi: Society for Participatory Research in Asia. P-33.

Rajni Kothari. 1988. State against Democracy: In search of Humane Governance. New Delhi: Ajanta Publications.

Rajni Kothari.1987. "Voluntary Organizations in a Plural Society". Indian Journal of Public Administration, Special Number on Voluntary Organizations and Development: Their Role and Functions. Vol.XXXIII. No.3, July-Sept., 1987. p 433.

Ravichandran, N.2004a. Regulatory Challenges and Non-Profit Welfarism. Proceedings of International Workshop on 'Researching NGOs". Organized by London School of Economics and Indian Institute of Health Management Research. Jaipur: IIHMR. November 26-27, 2004. The Day One.

Ravichandran, N.2004b. Sustainability of Non-Profit Organizations in the Era of Globalisation. Proceedings of International Workshop on 'Researching NGOs". Organized by London School of Economics and Indian Institute of Health Management Research. Jaipur: IIHMR. November 26-27, 2004. The Day Two.

Ravichandran, N. 2002. Population, Reproductive Health and Development. Vol-I. New Delhi: New Century Publications.

Ravichandran. N. 2000. "Food Security, Population and Environment in India". Proceedings of National Geographical Association of India.

Report of the Ad-hoc Open-Ended Working Group of the General Assembly on Financing for Development. 1999. (A/54/28).

Reynolds, Jack and K.C.Gaspari.K.C.1985. Cost-Effective Analysis. PRICOR Monograph Series. Issues Paper 2.

Richard Martin. 1993.AID's Child Survival Programme: A Synthesis of Findings from Six Country Case Studies. Washington DC: AID Programme and Operations Assessment Report No.5. p-20.

Ruth E Levine and Joanne Bennett.1995.Sustainability of Family Planning Programme and Organizations: Meeting Tomorrow's Challenges. Washington DC: Options for Population Policy –II. P-3.

Salamon,L.M. and H.K. Ancheier.1996 (b). A Non-Profit Sector: A New Global Force. Working Paper. No.21.

Salamon,L.M. and H.K. Anheier.1992. In Search of the Non-profit Sector 1: The Question of Definitions, Working Paper No.2

Salmon, L.M. and H.K. Anheier.1996(a). Social Origins of Civil Society: Explaining the Non-Profit Sector Cross-Nationally. Working Paper. No.22.

Sen, Sidhartha.1993.Defining the Non-profit Sector in India. Working Paper No.12. The Johns Hopkins Comparative Non-Profit Sector Project. Baltimore: IPS, Johns Hopkins University.

Seth , D.L. and Sethi,H.1991. The NGO Sector in India: Historical Context and Current Discourse. Vountars. No.2.

Shirley Buzzard.1987. Development Assistance and Health Programs: Issues of Sustainability. Washington DC: AID Programme Evaluation Discussion Paper No.23. p-2.

Singh, N, Amarendra.1999. "Defining the Voluntary Organizations in India: Some Reflections". Institutional Development. Vo. VI. No.II. p-10-25.

Singh, Ravishankar. 2003. Role of NGOs in Socio-economic Development.Delhi:Abhijeet Publications.

Smillie, Ian.1994. The Alms Bazaar. London: IT Publications

Snehlata, C.2001.Non-Governmental Organisations: Structure, Relevance and Function. New Delhi: Kanishka Publishers.

Steinberg.R.1987. Nonprofit Organizations and the Market. In W.W.Powell (ed), The Non-Profit Sector: A Research Handbook. New Haven: Caonn.: Yale University Press. pp 118-138.

Sterin, M. Sterin J and Marsh D.1998.Designing Community Based Nutrition Programme Using Hearth Model and the Positive Deviance Approach: A Field Guild. London: Save the Children.

Tandon, Rajesh.1996. "Changing Context and Challenges for Voluntary Action in India Today". Social Action. Vol.46. Jan-March.

Thomas Weiss (ed). 1995. Non-Governmental Organizations, the United Nations and Global Governance. Geneva: Brown University.

UN. 1991. NGOs in a Changing United Nations: Opportunities and Responsibilities. Report of the 18th General Assembly of CONGO. Geneva: UN.

United Nations Department for Public Information.1996. Platform for Action and the Beijing Declaration. New York.

United Nations.1968. A System of National Accounts. Series F. No.2 Rev.3

Van Til.J.1988. Mapping the Third Sector: Voluntarism in a Changing Social Economy. New York: Foundation Centre.

Verma, S.C. 1978. India's Attack on Poverty. Ministry of Rural Reconstruction. Government of India. New Delhi. P-12.

Weisbrod.B.1975. Toward a Theory of the Voluntary Non-profit Sector in a Three-Sector Economy. In. E.S.Phelps (ed).Altruism, Morality and Economic Theory. New York: Russell Sage Foundation. Pp.171-195.

Williamson, O.E.1981. The Economics of Organization: The Transaction Cost Approah. American Journal of Sociology. Vol.87. pp548-577.

Wood, J.R.1981. Leadership in Voluntary Organizations: The Controversy over Social Action in Protestant Churches. New Brunswick, N.J.: Rutgers University Press.

World Bank. 1993. Approaches to Bank/NGO Collaboration. Working Paper by Catherine Stevulak and Ann Thomson. Washington: World Bank.

World Bank.1998. Global Development Financing. Washington D.C.

Yerram Raju, B.1992. Project Sustainability: Relevance to Issues in Rural Development. At Trainers' Workshop on Sustainable Social Sector Programmes in India. Jaipur: Indian Institute of Health Management Research.

Yudelman, Sally.1987. "Integration of Women into Development Projects". In World Development (Supplement). Vol.15. Developmental Alternatives: The Challenge for NGOs. Oxford: Pergamon.