



## Voluntary Organisation And Its Challenges In India

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### **Abstract**

*Non-governmental organizations (NGOs) are legally constituted organizations created by natural or legal people that operate independently from any form of government. The term originated from the United Nations, and normally refers to organizations that are not a part of a government and are not conventional for-profit businesses. In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status by excluding government representatives from membership in the organization. The term is usually applied only to organizations that pursue wider social aims that have political aspects, but are not openly political organizations such as political parties. The number of NGOs operating in the United States is estimated at 1.5 million. Russia has 2,77,000 NGOs. India is estimated to have had around 3.3 million NGOs in 2009, just over one NGO per 400 Indians, and many times the number of primary schools and primary health centers in India. The NGO sector plays a crucial role in the growth of a nation. The Indian voluntary sector (or the NGO sector) is emerging to be a credible force in catalyzing the nation's social and economic growth, particularly for the masses at the 'bottom of the economic pyramid'. The potential for this is well apparent from the experience of other developed and developing economies. If India is to achieve, as is predicted, the living standards of the developed world by 2050, then the NGO sector would need to play a critical role, and must grow at a pace much higher than that required of the overall Indian economy. In spite of this, the present day NGOs are facing lot of problems and challenges. In this context the present paper is an attempt to study the challenges faced by NGOs in India.*

## Background

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nation's social and economic growth, particularly for the masses at the 'bottom of the economic pyramid'. The potential for this is well apparent from the experience of other developed and developing economies. If India is to achieve, as is predicted, the living standards of the developed world by 2050, then the NGO sector would need to play a critical role, and must grow at a pace much higher than that required of the overall Indian economy.

Governance standards of organisations are recognized as critical in maintaining the transparency and accountability on the whole. This is as true for the NGOs as for the corporates and the government. That the governance standards play a significant role in creating operational efficiencies and risk mitigation, particularly those of the long-term nature, is increasingly evident from recent global trends and research. The corporate world in general, and also the government sector, has in recent years increasingly recognized this correlation, as is reflected in the emphasis on the corporate governance best practices and the regulatory frameworks that have emerged. But while the corporate sector in India and elsewhere has somewhat succeeded in institutionalizing effective governance

policies and regulations, the NGO sector is yet to reach anywhere near that level. This is dragging down the NGO sector from performing the role that it must for the overall growth of the nation and its economy. In spite of this, the present day NGOs are facing lot of problems and challenges. In this context the present paper is an attempt to study the challenges faced by NGOs in India.

### **Why they fail?**

Most of the NGOs haven't been able to make the system work in a significant way. Sometimes, it is felt that no two NGOs can come together for a greater cause. The donor agencies are also responsible for such a problem as they normally impose tangible targets on the NGOs they fund.

Size, scale and structure are the other challenges. But most NGOs realise now that a structure needs to be in place to manage an organisation. It's also been seen that in case of a large number of government schemes, only 2-3 per cent percolates down to the bottom.

### **Weak foundation**

Traditionally, many Indian NGOs began life with one person's dream to make a difference to society. They went out and

set up NGOs, which gathered strength and resources over time. But with size came the problems of age, obsolescence and irrelevance. The problems are compounded because most people believe they operate at margins of the mainstream economy. But a few numbers dispel this myth. According to the Society for Participatory Research in Asia (PRIA), there are nearly 1.2 million NGOs operating in India, and their total funding in 1999-00 was close to Rs 18,000 crore - - around 1 per cent of the country's GDP. Moreover, NGOs employ nearly 20 million people -- some paid, others not.

The survey also notes that the main source of receipts for the NGOs are self-generated -- loans, grants and donations. Foreign funds contribute only 7.4 per cent of the total receipts of the NGOs.

Clearly, India's do-gooders need help -- in terms of professional management skills. In fact, most NGOs have volunteers with good intentions, but poor management expertise. What they need to understand, perhaps, is that in today's complex world, running organisations -- whether for profit, or not -- needs more professional skills.

**Vital link**

Take that. NGOs have to run like business entities, not charities. But they can't become pure businesses either. A tough call. But here's where corporate can make a difference -- by backing the do-gooders' initiatives and offering them their management skills to improve the overall efficiency and efficacy. And in turn, the corporates can derive media attention and visibility which is important for image-building.

Explains activist Anil Chaudhary, who has been a consultant to various NGOs and donor agencies in the past and has tracked the sector on various dimensions: "Services require regular reinvestment. In the 1980s, a deliberate effort was made to professionalise the NGOs. It started off with the Ford Foundation opening Pradaan which started involving people from professional institutes such as the IITs and the IIMs. However, once you have professionals to take care of these issues, you have the problem of detachment as well, meaning the interest with the people devote themselves for the cause is minimal."

Moot point. But things are changing in India too with newer players chipping in. For instance, many of Standard Chartered

Bank's community initiatives involve NGOs -- such as SPJ Sadhana School, Pratham Mumbai and Delhi, Concern, CRY, Help Age and several others.

Says Kishore Singh, manager, Care International: "We've been in India since 1950 as an organisation helping out the government in carrying out the relief and rehabilitation activities. Later on, our priorities shifted to address issues such as Integrated Child Development Scheme. However, our focus is mostly on health programmes."

**Transparency woes**

Let's face it. Many NGOs in India are not transparent in matters pertaining to their finances and activities. And such lack of transparency more often than not leads to loss of contributions from many who might have contributed or supported a cause. Says Kunal Verma, manager, ActionAid India: "A lot of NGOs don't entertain questions on the utilisation of the funds received by them. However, the good news is that there would be a rating system in place soon for the NGOs. It will happen for international NGOs first, and may be after sometime, for the India ones."

A long way, though. But some norms are in place. An NGO has to be registered and get its annual reports/accounts approved by an independent chartered accountant. There has to be at least one general body meeting. Also, in order to be able to access foreign funds, one has to be registered under FCRA (Foreign Contribution Regulation Act) that comes under the purview of the home ministry.

Another important development was in the year 1984 when the government played a key role in bringing the NGOs together by setting up CAPART. An NGO can register under CAPART and get funds.

On top of these, the aiding organisations add dimensions to the existing mandatory norms. In fact, most aid organisations have their own mechanisms to ascertain the work of NGOs on the basis of parameters such as past track record, credentials, potential of the NGOs, and the kind of organisations the NGOs work with, etc.

Says Partha P Rudra, director (programmes), National Foundation for India: "Serious donors have ways of finding out whether the money has been utilised properly or not. Now, it is difficult to judge an NGOs work in

tangible terms as they are not quantifiable. Also, we normally tend to overlook the kind of difficulty the NGOs faced while carrying out their activities."

Indeed, Indian NGOs are going through the learning curve and grappling with the dynamics of change. But there's still a great deal that has to change with both the management and marketing of the NGOs. A long way to go!

### **Misuse of the Image of NGOs and Mistrust**

Many NGOs have respectable brand equity and are associated with high work ethics. They also often exercise significant level of influence amongst 'vulnerable communities'. These very aspects are exploited by anti social elements to perpetrate crime and extremism using NGO fronts.

Weak governance policies and internal control systems add to this petri dish for fraudulent and corrupt practices. The domino effect: mistrust in the voluntary sector further leading to reduction in donations and assistance, thus hampering the overall goal of the sector. For the NGO sector, reputation management and transparency are the primary ambassadors of building an appropriate relationship

with its stakeholders – most importantly, the public and the volunteers.

**Lack of Funds:** NGOs are expressing difficulty in finding sufficient, appropriate and continuous funding for their work. They find accessing donors as challenging as dealing with their funding conditions. They perceive there to be certain cartels of individuals and NGOs that control access to donor funds. They have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them. There is a high dependency of donors and a tendency to shift interventions to match donor priorities. There is a lack of financial, project and organizational sustainability.

**Poor Governance** was recognized within the sector as a whole, within the NGO Council and within individual NGOs. Knowledge of good governance varied widely, with some regions indicating very little understanding of why NGOs are required to have Boards or what their roles and functions should be. Many other participants explained that it is difficult to achieve good governance with founders who wished to own their NGOs for their own purposes. Participants with better understanding of good governance

appreciated that this is fundamental to NGO accountability and transparency. Many NGOs mismanage their resources, quite often with the involvement and encouragement of their Boards that eat their NGOs resources. Finding Board members can be difficult if you are not willing to pay them or provide allowances.

**Absence of Strategic Planning:** Few NGOs have strategic plans which would enable them to have ownership over their mission, values and activities. This leaves them vulnerable to the whims of donors and makes it difficult to measure their impact over time.

**Poor Networking** was identified as a major challenge. It is the cause of duplication of efforts, conflicting strategies at community level, a lack of learning from experience and an inability of NGOs to address local structural causes of poverty, deprivation and under-development. Negative competition for resources also undermines the reputation of the sector and the effectiveness of NGO activities at community level. As a result there is a great deal of suspicion among NGOs, secrecy and lack of transparency. Many NGOs, large and small, intervene at community level

without any community mapping and implement projects without due regard to ongoing community initiatives. NGO politics: one fighting another, one with resources but no community presence, another with community presence but no resources.

**Poor Communications:** NGOs also recognize that there is very poor communication within the sector. The majority of NGOs have little or no access to reliable email and internet connections, they receive almost no literature on development issues and are generally out of touch with issues of global, regional and national importance. Their lack of understanding of the difference between the Board and Council is just one example of the knowledge gaps that exist.

**Limited Capacity:** NGOs recognize that many of them have limited technical and organizational capacity. Few NGOs are able or willing to pay for such capacity building. Weak capacity was identified in fundraising, governance, technical areas of development, and leadership and management. Some NGOs felt that the existence of quality standards would assist them to develop the required capacities. The speed of technology

changes is also a challenge particularly in areas of IT capacity.

**Development Approaches:** Many NGOs are still focusing upon what some refer to the 'hardware' approach to development, i.e. the building of infrastructure and the provision of services; rather than what some refer to as the 'software' approach of empowering people and local institutions to manage their own affairs. Other NGOs seem unaware of changes in the role of government, the changing Aid paradigm, and the effectiveness of a "right's based" rather than "welfare" approach. While it is becoming harder to fund and sustain service delivery interventions, most local NGOs persist with them. Community poverty and illiteracy rates remain significant. NGOs are acutely aware of the increasing and enormous needs of poor people and feel at a loss as to how they can respond to all these needs. There is a lack of sustainability and ownership of development interventions by communities. Some communities have been spoilt by dependency creating interventions and are not inclined to do things for themselves. It is difficult to keep our programmes relevant to changing situations and the culture of handouts is hard to counter. There is no

accepted code of ethics and conflicting approaches.

**Relationships with INGOs:** There is considerable concern among local NGOs that the giants, mainly INGOs, occupy so much space that it is very difficult to find room for themselves. INGOs often intervene without any concern for the building of sustainable local CSOs. They pay government and community members to participate in their projects while local NGOs have no facility for doing so. INGOs are also perceived to be driven by short-term project approaches that are not locally sustainable. They pay high salaries and attract local NGO personnel. They are also responsible for creating the high cost image that undermines the credibility of the sector. It is difficult and inappropriate for local NGOs to compete with the international and national giants. Many external organizations are not working with local CSOs, they simply provide unfair competition and hold back the development of our sector and cost effective development interventions. International NGOs should not be allowed to work on the ground, they pay allowances and manipulate the people; cannot run this nation on the whims of international NGOs; they suppress local NGOs.

**Political Interference:** In some regions, in particular South Rift and North Eastern, NGO leaders identified the interference of local politicians and civic leaders as a major hindrance to their work. Where NGOs are involved in sensitive issues, such as land disputes, local leaders can threaten NGOs with de-registration. NGOs are not aware that the Board - and potentially the Council - are there to protect them from such intimidation.

**NGO Board and NGO Council:** Many participants were poorly informed of the difference between these two institutions, NGO Coordination Board and the National Council of NGOs; and unaware of their roles and responsibilities in relation to them. Most participants expressed the opinion that the NGO Code of Conduct is outdated and needed updating soon. This group of participants also complained that the NGO Council is poorly governed and doesn't provide any services to the NGOs. They were aware that the NGO Board does not respect the Council and that there is mistrust between the Government and NGOs. Participants are well aware that the NGO sector has a very poor public profile which they see as



mainly due to the leadership wrangles, politics and infighting at the Council and among NGOs. While most participants appreciated the positive role of the NGO Board in creating an enabling environment for NGOs, a few participants felt there was a lack of political good will towards NGOs in some parts of government. Some branches of government are thought to deliberately frustrate NGOs. A few participants felt that government bureaucracy holds back the NGO sector and its members.

### **The Risks and the Idea of Governance in NGOs**

Evidently, there is both a need for a pertinent shift in the manner of how the voluntary sector in India views governance and the associated regulatory frameworks. Equally important is to create competencies for better risk management through operational means and management procedures for risk monitoring and risk mitigation. In case of the NGOs, more so than for the corporates, the risks often take the shape of vulnerability to influences and risk dynamics ranging across:

- lack of or limited access to professional management expertise
- financial inefficiencies and malpractices

- vested organised crime and political interests
- extremism and terrorism

By its nature the voluntary sector has an extremely philanthropic side to it, thus making it difficult for corporate-like professionalism or profit driven accountability-standards to take precedence over its core functions. However, like the other key sectors of India, the voluntary sector is also faced with imposing evolutionary and 'market' challenges. Hence, issues of internal control mechanisms, professionalism, accountability, transparency and financial management must be given impetus. The challenge is manifold, and compounded by the 'unorganised' nature of the sector, lack of regulatory frameworks and the fact that India boasts of more than a million NGOs comprising different roles, structures and sizes.

The changing social dynamics and security environment have added to the exposure of the voluntary sector to various risks, especially those operating in extremely remote or underdeveloped regions (where incidentally the need and the contribution of the NGOs is most critical). In particular, the NGO sector has become vulnerable to the vested interests

of partial political interests, organised crime and extremist organizations in such regions.

The Indian government has been blacklisting several NGOs (sometimes, the numbers running into hundreds) for primarily fund misappropriation and relationships with extremist groups. A case in point, in 2003, India's home ministry blacklisted more than 800 NGOs only in the north-eastern region of the country for links with extremist groups. In the incidents of the past several years, the sector has been often unlawfully exploited in that several NGOs (both national and global), especially those that receive foreign contributions, have been used as conduits for money laundering and sponsoring terrorist/extremist activities.

This trend is not unique to India. The world over extremist and terrorist organisations are known to operate through 'front' NGOs as also extensively use NGOs as vehicles for generating funds and gaining influence and respectability amongst the local communities.

Such security considerations have further brought to fore the rising criticality of improving the governance practices in the Indian NGOs and exercising better

regulatory mechanisms, disclosure norms, and management processes including financial management and budgeting systems as well. Moreover, in the larger interest going beyond the security considerations, the impetus has to be on inculcating a culture of including performance goals, conducting financial and performance audits, and reforms for increasing the operational accountability and transparency in the eyes of the public, volunteers, donors and other stakeholders.

In particular, the Indian voluntary sector urgently needs self-regulatory guidelines and transparency mechanisms to increase the trust and awareness as to how the philanthropic funds are being utilised. This is a critical challenge that creates a barrier to raising funds and capital for the sector. The general lack of transparency in the functioning of a large proportion of NGOs leads to aversion in donating funds for charitable causes since the general public is largely cynical about the 'genuineness' of the non-profit spirit of the sector.

Inevitably, stringent governance standards of an NGO will facilitate the effective management and increase the accountability to its stakeholders including donors, the government and the community. It is in the self-interest of the

NGOs to realize the fact that it is equally important for them to implement a structure of 'corporate governance' principles so that it is able to provide real value to the stakeholders. Also, this would enable to track the dubious sources of funding coming in for the voluntary sector – an aspect which has gained impetus in the wake of the increased number of terror attacks and extremist activities.

### **Importance of Strategic Leadership for NGOs**

Strategic leadership is of utmost importance to NGOs since they are established with a clear humanitarian goal driven by a specific cause. Unlike businesses, where a major part of strategic leadership effort goes in assessing and deciding strategy for factors such as competitive forces and changing market dynamics, there is a consistency and less unpredictability with respect to strategy. On the other hand, the leadership of NGOs is required to play a much greater role in building reputation and brand-equity, which would attract donors and volunteers. In effect, it becomes pivotal for an NGO to put forth a robust and focused vision and mission centred on its strategic leadership. This, in turn, obviously must be supported by good

planning and consistent monitoring by the organization's management to ensure that the proposed philanthropic development and its objectives are being carried out. Such measures can only enthuse a strong culture of professionalism in the voluntary segment of India with a 'business like' angle of achieving the set goals in optimum resources available. After all, how well the voluntary organization is equipped to deal with its deliverables will only translate into operationally achieving the developmental activities. The core requirement of strategic leadership is to provide a holistic guidance to the organisation with an impetus on strategisation, reputation building, performance, monitoring and improvisation. The implementation of a strategic framework is essentially important in the management of an NGO. The endorsement of such a framework brings in professionalism and internal control mechanisms, which further makes the organization's performance more effective. Developing strategies also include establishing a mechanism of consistent monitoring of whether they are being implemented and linking the results to the organisation's goals.

**Local Resource Mobilization** provides potential for NGOs to raise funds from local businesses, individuals, government and locally generated income. To do this NGOs must have strong governance and accountability mechanisms, clear strategies and local credibility.

**Local Networking** provides opportunities for mutual learning, identifying appropriate development initiatives, generating learning resources, improving coordination and cooperation with local government, harmonizing approaches to development, and pursuing effective local advocacy. Form consortia to source funding from the donor community (larger projects to access larger donors).

**Regional NGO Networks:** Regional and thematic networks present opportunities to NGOs to share research, approaches, resources, capacity and work with both GoK and the corporate sector. Strong regional networks also provide the basis for supporting district level networks and ensuring the NGO Council remains strong by keeping its membership strong.

**Effective support from the NGO Board and NGO Council:** Maintaining NGO records with the NGO Coordination Board will enable NGOs to received

regular information and gain access to basket funding. The NGO Coordination Board is also working hard to improve the public image of NGOs through the promotion and support of annual NGO Week. A more effective NGO Council supported by its members and responding to NGO expressed needs, will provide appropriate and affordable capacity building support and an enabling environment for the sector. Good Governance of the NGO Council would provide a positive example for all NGOs to emulate. Good Governance can be achieved if the serious, active and engaged NGOs exercise their rights and responsibilities in a professional manner. An effective NGO Council will become a voice of the sector when interacting with GoK and Regional Governments.

**Enabling Environment:** The new governmental dispensation has provided Kenyans with more political space to undertake their own development initiatives. People at all levels of society are more prepared to pursue their own development activities rather than wait for government and external actors to provide services, relief and welfare support. Improved infrastructure (roads, electricity, IT, communications, water, market access) provides more

development opportunities to poor people and their communities. Tax incentives are now encouraging donations to registered charities. GoK is also enhancing the performance of its line Ministries, who are now all on performance contracts. GoK technical personnel are now willing to partner with NGOs who need not duplicate skills that are already locally available.

**New NGO Act:** The proposed new NGO Bill and Act, provides both opportunities and threats to the NGO community. If the NGO Council effectively lobbies for the NGOs in an informed and professional manner, a more enabling environment for this sector may result. Alternatively it is possible for the Sector to lose its self regulating mechanism and be controlled by a single government-appointed body.

**Government devolved funds and new funding mechanisms:** The CDF, Constituency Aids Funds, Youth, Women, Water, LATF and other locally available development funding is available to local NGOs and CBOs, which should also be more involved in the management of these funds. New basket funding from central government, through the NGO Board, is also a possibility.

**Corporate Social Responsibility:** The concept and practice of CSR is taking hold in Kenya and many companies are now establishing foundations and development funds for use by CSOs.

**Use Volunteers:** Kenya has a huge supply of idealistic, young, energetic and well educated graduates who are unemployed or underemployed. Many of them are searching for opportunities to serve their country and get work experience. There are also many older experienced professionals willing to give their time to NGOs. Many companies will loan experienced personnel to NGOs. Finally, there are opportunities to appoint international volunteers to fill vacancies that would otherwise require unavailable funds to fill. Student exchange programmes also offer NGOs low cost human resources that can support research, documentation and staff capacity building initiatives.

**Development Approaches:** Communities have assets, wisdom, labour, time, and skills to be applied to their own development programmes. Communities are now willing to work for their own development. Invest in community institution building, train local people; enable them to plan, implement and

evaluate their own development programmes, and to access available local resources. Innovative local solutions to local problems always attract support.

**NGO Income Generation:** NGOs with excess assets can use them to generate income which may be used as the NGO determines. Consider renting buildings, providing consultancy, offering training, trading on your name or with locally made products.

**Information, Communication and Technology (ICT):** The world has moved into the technological age. Get connected! Internet and email are fundamental to serious organizations. Set up a simple website and start building your networks and your profile. Share with others your work, approaches and impact.

**Selected INGOs provide potential partnerships:** Progressive INGOs are looking to partner with local institutions and have the ability to provide financial, technical and institution building support. Some also support thematic and issue-based advocacy initiatives that enhance local networking and address the structural causes of poverty, inequity and injustice.

## Conclusion

Increased examination of NGOs will not only allow us to more fully describe the field of organizational types (corporate, government, nongovernmental) and their communicative characteristics and dynamics but also will provide a wealth of opportunities to validate and/or question our current theoretical assumptions that have largely been based on the empirical picture presented in corporate organizations. Although NGOs have become established organizational actors within development policy and practice, critical questions are increasingly being asked of their performance and accountability. In general, the roles and activities of NGOs have been relatively well covered in the literature, but there is far less systematic research on internal organizational processes and management (Lewis & Madon, 2004).

There are many positive changes in development policy and practice that can be associated with the increased role and profile of NGOs. They include the growth of participatory planning techniques, the integration of gender concerns into mainstream development thinking, and the continuing advocacy of human rights and environmental concerns. There is every reason to believe that NGOs of

various kinds will continue to play important roles as actors in development processes

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