

## **An Overview of Fundraising Practices of Non-Governmental Organisations in India**

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### **Abstract**

Fundraising is a regular activity in Non-Governmental Organizations (NGOs). It is not just a means of raising funds but also a way of promoting the awareness among the people regarding the cause the NGO is working for. It is also a way of making a donor base for the organization. Through this, NGOs gather funds from individuals, foundations and government agencies from domestic and international sources. The paper discusses sources and methods of fundraising, personnel involved in the process and donor relationship practices of NGOs after receiving the funds. For succeeding in any fundraising NGOs need to train its personnel and need to form a group of dedicated individuals. The paper discusses various online and offline methods followed by Indian NGOs for fundraising. The paper is conceptual in nature and the objective of the paper is to discuss the fund raising practices followed by NGOs in India for their effective functioning.

**Keywords:** Fundraising, Non-Governmental Organizations, Personnel, Sources and Methods

### **Introduction**

Fundraising is an important activity in development sector. Non-Governmental Organisations (NGOs) mobilize financial resources for the smooth functioning of their projects and programmes. It is a process of seeking and

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gathering voluntary financial contributions from individuals, businesses and charitable foundations. According to Batti (2014), fundraising is the activity of collecting money to support a charity or political campaign or organization. Fundraising is a process of soliciting financial support for meeting the organizational goals. The process of fundraising is not only raising money. It also includes relationship building with philanthropists and corporates, bringing in foundation support and to attract new donors.

Sargeant (2001) points out that the two approaches of fundraising are transactional and strategic. The transactional approach is concentrating on the immediate financial needs of the NGOs without anchoring in developing a strategic plan. The strategic approach is long term plan, which is benefiting from the synergy of multiple fundraising projects and activities. (Caciya, 2013). Before initiating any funding, donors study the background of the NGOs. In the contemporary Corporate Social Responsibility (CSR) scenario, many CSR foundations conduct due-diligence process for avoiding possible risk and errors involved in the partnership with NGOs. Bilal (2017) suggest that before giving funds to an NGO, donors give emphasis on the reputation of board members of the NGO, impact that can be created by the programme of NGO, type of programme undertaken and the networks involved in it. The paper is conceptual in nature and the objective of the paper is to discuss the fund raising practices followed by different NGOs in India for their effective functioning.

### **Sources of funds**

People give for people and opportunities need to be created for the same. Giving is a personal aspect for most of the donors. Dietz and Keller (2016) tried to classify the reasons of donations. The main reasons identified by them are passion of the donor towards the cause, knowledge about the organization requesting the funds, information about someone affected by the cause, donations based on media news and appeals, for memorizing someone and posts in the social media. Even though the number of individual donors is increasing day by day, many funding agencies are withdrawing from various

locations across the globe and are concentrating to least funded areas. In India, NGOs are struggling to find funds for their projects and programmes. A study conducted by Latha and Prabhakar (2010) reveals that most of the NGOs in India are suffering shortage of funds. However they are trying to find funds from various sources through continuous efforts. Sources of funding for NGOs are from local, national and international agencies and foundations. This includes private and government agencies. Folger (2019) points out that sources of funds for an NGO includes member subscriptions, sale of goods and services produced and marketed by the NGO, private sector for profit companies philanthropic foundations, funds from various government agencies and private foundations.

In India for receiving international grants NGOs need to take permission from the Government of India under Foreign Contribution Regulation Act, 2010. According to Foreign Contribution Regulation Act a registered NGO can receive funds from foreign sources for social, economic, cultural, educational and religious purposes. These NGOs mobilizes funds from international donor agencies and foundations. However the number of NGOs receiving foreign donations has declined in India under the FCRA act.

Another source of funding for NGOs is Corporate Social Responsibility (CSR) of registered companies. CSR is the continuing commitment by a company to contribute to social and economic development and to behave ethically (Baker, 2018). In India as per the Companies Act, it is mandatory to provide a contribution of two percentage of the average net profits of companies for CSR activities. Companies like Hindustan Computers Limited invites call for proposals from NGOs every year based on the thematic areas. The selected proposals are funded and projects are monitored by CSR foundations.

Individual donors are another potential source of small and moderate contributions. NGOs establish relationships with high net worth individuals as part of fundraising strategy. It includes film stars, performing artists, senior corporate professionals, philanthropists and businessmen. Dream India Network Bengaluru conducts Diwali, Bakrid and Christmas every year and invite potential donors. Most of these invited guests are honoured during these

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functions publicly and later they are turned into regular contributors.

### **Methods of fundraising**

NGOs always seek grants for their projects and programmes. John (2007) observes that NGOs suffer from a perpetual hunger for funds. For this purpose NGOs use various fundraising methods to mobilize funds from donors. This includes offline and online methods. The offline methods are mostly traditional in nature (Milap, n.d) and methods employed for the same are appeal letters, project proposals, auctions, selling of products, etc. Traditionally NGOs have depended on high net worth individuals for funds. In the modern technological world the number of donors donating through online platforms is increasing. According to Nelson & Armenakyan (2012) methods of fundraising refers to the strategies used by NGOs to generate financial resources for meeting the cost of its projects and programmes. In India, a majority of the NGOs reach out to donors who are individuals using different methods or through its combination. This includes online and offline methods. Pollach (2005) suggests that people donate online rather than offline when they have trust in the organization and consider the internet a secure medium for financial transaction. Whitaker (2014) observes that the NGO sector has used various internet sources for fundraising for identifying and recruiting donors, blogs, websites, social media and websites specifically formed for fundraising purposes. Presently many NGOs in India use crowd funding platforms for mobilization of funds. Rouse (n.d) explains crowd funding as a method of mobilizing funds for an organization from a large group of individuals by collecting relatively modest contributions. Crowd funding is a professional activity and the digital platforms charge their service fee from NGOs. According to Raj (2017) most crowd platforms will charge between 5% to 10% of the amount being sought as their service fee. Crowd funding platforms like Impact Guru provide marketing and content support for the campaigner for selected cases.

In the present era of technology many NGOs use technology based platforms for raising funds. Pollach (2005) points out the three basic functions

of NGO websites are information, interaction, and fundraising. According to Kang & Norton (2004) NGOs can boost volunteering, donor and fund raising activities with the help of websites. NGOs like Save the Children and BOSCO Bengaluru have developed online donation pages in their own websites and donors can use debit / credit cards or other electronic transfer methods. NGOs recently developed android applications for raising funds. Through these applications, activities of the organization are updated to the user and offers option for online donation.

Funds through Crowd funding platforms come from various individuals who believe in the cause of the organization launching the campaign. Online crowd funding is widely used in the NGO sector and platforms like Ketto, Impact Guru and Milaap are used by NGOs. One of the advantages of online crowd funding is its awareness creation among the donors about the cause through the campaign. Shetty (2014) suggest that crowd funding is not only a way to mobilize funds for an NGO, but also generates greater awareness about the cause of the campaign. Payment gateways like PayU enable businesses in India to accept online payments with all payment modes. Through these platforms NGOs can accept donations. Most of the crowd funding campaigns are shared in social media platforms by the campaigner and by the platform. For fundraising, NGOs use Facebook, Instagram, YouTube and Twitter accounts to promote their activities. GiveIndia is an NGO which offers an online donation platform. It aims to channel and provide resources to credible NGOs which are identified through a selection process. It connects donors and NGOs through the platform and gives options for donations.

### **Personnel involved in fundraising process**

Indian NGOs take professionals with passion, aptitude and commitment to the cause for raising funds. Most of the organizations select professionals based on their previous experience in the field of fund raising. Patience, persistence and commitment are necessary virtues needed by a fundraiser. The expected skills set for a fundraiser working in an NGO are commitment to the cause, ability to ask, communicate, influence, relate and being able to deal

with rejection. Lysakowski (2014) points out the skills required for a fundraiser suggested by Jerold Panas in the “Born to Raise” are integrity, listening, motivation, hard work, concern for people, high expectations, love the work, good energy, perseverance and presence.

The NGO’s board members play a critical role in fundraising. The role of board members in mobilizing funds for NGO is unavoidable. It is one of the major functions of the board members and equally distributed among all the board members. Hass (2011) observes the role of NGO board members in raising funds is important by providing leadership, financial support, and connection to donors and potential donors. In India, most of the funds for NGOs are mobilized by the director and or board members of the organization. However, the responsibility of resource mobilization is not equally distributed among the board members. Preparation for fundraising is really aided when all board members participate in the planning process (Hass, 2011). Green field (2008) observes that it is the responsibility of the board members of an NGO to ensure availability of adequate resources in the organization and for that they should be active in fundraising activities. Fritz (2019) observes that most NGO personnel believe that their NGO have the most success when their board members help with fundraising activities. NGO board members donate for the urgent needs of the organization from their own pockets. The initial funds of some of the well-known organizations in India like Dream India Network Bengaluru were from the pocket of its board members. According to Fritz (2019) one of the benefits of personal giving by the board members of an NGO is that the act of giving of the board members encourages other donors to give and impresses institutions that provide grants or other support.

Employee involvement in fundraising is increasing in Indian NGOs. It is the responsibility of the employees to mobilize resources for the NGOs as part of their work and many NGOs include fundraising in the job description of the newly selected employees. Employees also donate to social causes of their organization; however it is limited to a minimal amount. Some of the NGOs ask their employees to donate an amount monthly or annually to their own NGO. In Indian context especially in small and medium size NGOs it is not

always practical due to less salary paid to the employees. According to Ranzini (2018) getting the attention of the employees for donating for a cause is not an easy task and needs continuous efforts. Bennett (2017) suggests that providing employees the opportunity to engage with their philanthropic passions reduces employee turnover. However, it is observed that most of the employees in the Indian NGOs do not contribute to their own NGOs except for the support of their own colleague's urgent needs like medical treatment.

NGOs seek committed, motivated and self-driven volunteers. Volunteers can play an important role in the mobilizing of funds for NGOs. The right motivation of the volunteers is one of the reasons for absorbing and engaging right volunteers for fund raising. Haas (2011) observes that volunteers can make excellent efforts in the process of fundraising due to relatively pure motivation apart from their knowledge of the organization. According to Tishman (2013) volunteers in an NGO help in fundraising apart from administrative and operational tasks given to them. Dream India Network Bengaluru is one of the leading networking organizations. It facilitates volunteering from both from India and abroad. Volunteers can offer their time, talent, resources, and skills in different domains, including the various projects and programmes. A portion of its financial resources are mobilized by volunteers from India and abroad. Akshyapatra foundation gives opportunities to interested volunteers to raise funds for the school lunch programme.

Volunteers can take up a campaign for online fundraising and can select a fundraising idea. After that basic formalities need to be completed by the volunteer. The submitted campaign is carefully scrutinized and once the permission is given, the campaign goes live on the internet. They can also share the campaign in the social media platforms to create awareness about the cause and get donors to contribute for the campaign.

### **Fundraising and donor relationship**

Fundraising is a strategic approach to donors and for the establishment of long term relationships with them. The relationship with donors is vital in

the process of fundraising. An effective relationship with donors improves future funding opportunities. Jay (2019) suggests that improving the relationship with donors brings more revenue. Donor retention is an area where NGO needs to concentrate in donor relations. Lack of donor relation system and limited communication practices followed in some NGOs leads to increased rate of attrition of donors. It is the responsibility of the fundraising and donor relations staff and board members to keep regular and frequent contacts with the donors. Donor retention is a fundraising method that seeks more funds from existing donors. According to Fundly (n.d) the practice of donor retention helps NGOs to have reliable revenue regularly and for developing practical fundraising budgets. This also helps to develop a good plan for the money for meeting the mission of the organization.

Donor engagement is an important practice in donor relations. For a sustainable relationship with donors NGOs need to develop strategies for donor engagement. An effective donor engagement results in retention of donors. Esparza (2018) observes that donor engagement is a time consuming process but the most important part of the fundraising process. One of the mistakes followed by the NGOs is they focus on donation amount but forget to engage donors. However most of the donors want the grantee NGO to keep regular contact with them. Rees (n.d) suggest that donors need appreciation and are interested to receive regular communication and like to read and watch stories and updates from the projects and programmes supported by them. Expression of loyalty to donors by grantee NGOs results in retention of donors. However NGOs need to improve their relationship through showing loyalty to donors and to win their trust. According to fundraising authority team (n.d) building of emotional connections and transparency of the NGOs helps to develop donor loyalty. Similarly based on a study conducted by Sage insights (2013) observes that donor loyalty is an emotional connection and relationship between donors and NGOs.

Donor acknowledgment is another area where NGOs lacks expertise. However many NGOs acknowledge the receipt of the grants. According to a



study conducted by Esparza (2018) 95% of the donors would appreciate a call from a board member within one or two days after the receipt of the grant from the donor. Sage insights (2013) observes that NGOs give the details regarding the usage of funds from donors in their annual report and include the name of the donor in organizational website , press releases, acknowledgment at events and recognize donor in social media for publically acknowledging them. The common methods of communication used by NGOs for donor acknowledgment are email, direct mail, phone call and thank you letter. Here NGOs need to practice writing personalized communications with the donor. A study conducted by Dietz and Keller (2016) reveals that 71 percentage of donors feel more engaged with an NGO when they receive personalized content from the personnel working in NGOs.

### **Conclusion**

Fundraising is a valuable part of the strengthening an NGO and generally known as fuel for running the organization. It is the main requirement for NGOs to implement their plans. It is the role of all the personnel associated with the organization to mobilize resources for the better functioning of their NGO. Successful fundraising is the result of disciplined management and leadership that needs to be provided by the board members of the organization. Besides the traditional methods, NGOs need to use more innovative and technology based methods. However board members of NGOs need to organize training programmes for the employees to deal with online donations and to equip its web based applications including websites to be user friendly for donors.

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