



Revisiting NGO Regulatory Framework

For Prelims: [Foreign Contribution \(Regulation\) Act](#), [Emergency](#), [Association for Democratic Reforms \(ADR\)](#), [PM POSHAN](#), [SEBI](#), [World Wide Fund for Nature \(WWF\)](#), [Indian National Trust for Art and Cultural Heritage - INTACH](#).

For Mains: Regulation of NGOs under FCRA and suggested reforms for their better functioning in India.

[Source: ET](#)

Why in News?

The **Ministry of Home Affairs (MHA)** has recently announced **new amendments to the Foreign Contribution (Regulation) Rules, 2011** affecting the manner in which [non-governmental organizations \(NGOs\)](#) operating in India can receive and utilize foreign funds.

What are the Key Provisions of the New FCRA Rules for NGOs?

- **Ban on Publication Activities:** If the **association** is engaged in **publication-related activities**, it should submit an **undertaking** from the **chief functionary** that it is **not** engaged in production or **broadcast of news through electronic mode**, and if **registered with RNI**, a '**not a newspaper**' **certification** shall be submitted.
- **Financial Disclosure:** NGOs applying for **FCRA, 2010** registration must submit **financial statements and audit reports for the past three years**, including **assets and liabilities, income and expenditure, and receipts and payments** accounts.
- **FATF Compliance:** NGOs must declare adherence to [Financial Action Task Force \(FATF\) Good Practice Guidelines](#), aligning with India's efforts to strengthen oversight of **foreign financial flows**.
- **New Requirements for Receiving Foreign Contributions:** NGOs must submit a **commitment letter** from foreign donors matching the donation with a detailed **project report** with expense breakdown.
- **Obligations for Previously Registered NGOs:** If an NGO's FCRA registration has **expired or been cancelled**, it must submit an **affidavit** detailing the **receipt and utilisation** of previously received foreign contributions.

Foreign Contribution Regulation Act

- **About:** FCRA is a law enacted in **1976 during the Emergency** to regulate the **acceptance and use of foreign contributions** by **individuals, associations, and organizations** in India.
 - It ensures that such contributions are used only for **legitimate purposes and do not compromise national interest**.
- **Amendments:** The original **FCRA Act, 1976** was repealed and **replaced** by new legislation in **2010** to modernise the law governing foreign contributions.
 - In **2020**, **additional amendments** were introduced to **tighten the**

regulations and **improve oversight** of foreign donations.

What are NGOs and How are they Regulated in India?

- **About:** A NGO is a **non-profit entity** that **functions independently** of the government, focusing on **humanitarian, social, or developmental objectives**.
- **Formation of NGOs in India:**
 - **Societies:** Registered under the **Societies Registration Act, 1860**.
 - **Trusts:** Private Trusts are registered under the **Indian Trusts Act, 1882** which is a central legislation.
 - Public Trusts are registered under **respective state laws**.
 - **Charitable Companies:** Registered as non-profit companies under Section 8 of the Companies Act, 2013.
- **Foreign Contribution Regulation:** NGOs that receive foreign contributions or donations must obtain **prior registration or permission** under the Foreign Contribution (Regulation) Act (FCRA), 2010, administered by the **Ministry of Home Affairs (MHA)**.
 - The FCRA, 2010 governs the **receipt and utilization** of foreign funds by **individuals, associations, or companies**, including NGOs.
 - Its core objective is to **prevent** foreign contributions from **undermining India's sovereignty, integrity, security, economic or scientific interests**, public order, or leading to any offence or harm to individuals.
- **Key Amendments in the Foreign Contribution (Regulation) Amendment Act, 2020:**
 - Mandated that all foreign contributions be received only through a designated "FCRA Account" at a specified bank (**State Bank of India, Delhi**).
 - **Prohibited transfer of foreign contributions** from the recipient to any other person or entity.
 - Reduced the permissible limit for **administrative expenses** from 50% to 20% of the foreign funds received.
 - Empowered the Central Government to:
 - **Restrict or suspend** further receipt or utilization of foreign contributions following a **summary inquiry**.
 - **Require Aadhaar or other identification documents** for office bearers, directors, and key functionaries of NGOs.

What are the Key Roles and Responsibilities of NGOs?

- **Governance:** NGOs strengthen democracy by promoting **transparency** and **accountability**, exemplified by the [Association for Democratic Reforms \(ADR\)](#) whose **PILs** led to mandatory disclosure of candidates' criminal records, education, and assets.
 - They also supplement government schemes like the **Akshaya Patra Foundation**, supporting the [PM POSHAN](#) initiative against malnutrition.
- **Social Reforms:** NGOs protect **human rights** (e.g., **Bachpan Bachao Andolan**), empower women (**SEWA**), represent marginalized groups like **PLWHA** (People living with HIV/AIDS) and **LGBTQIA+** communities (**Naz Foundation**), and alleviate poverty (**Goonj**).
- **Disaster Relief and Rehabilitation:** NGOs like **SEEDS India** play a critical role in providing **immediate aid and long-term rehabilitation** support during natural disasters and emergencies.
- **Environmental Conservation:** Many NGOs like [World Wide Fund for Nature \(WWF\)](#) work to protect **natural resources**, **promote sustainable development**, and **combat climate change** through awareness campaigns and grassroots initiatives.

DEVELOPMENTAL GROUPS IN INDIA

Self-Help Groups (SHGs)

- Self-governed peer-controlled information group of people with similar socio-economic backgrounds and interests
 - Members allowed: 5-20 | Registration not required
 - SHGs use savings amounts for giving loans to members
- NABARD's SHG-Bank Linkage Programme (1992)** - To connect SHGs with formal banking institutions
- ~88% of SHGs in India have all-women members
- Success Stories:**
 - Self-Employed Women's Association (SEWA) since 1972
 - Kudumbashree (1998) in Kerala

Cooperative Societies

- People-centred** enterprises, owned, controlled, and run by and for their members.
 - Capital raised through shared contributions from members.
- Regulating Acts:**
 - Multi-State Co-operative Societies Act, 2002
 - State Cooperative Societies Acts
- 97th Constitutional Amendment (2011):**
 - Right to form cooperatives - a fundamental right (Article 19(1)(c))
 - Article 43B (DPSP) - Promotion of Cooperatives
 - Part IX-B titled "The Co-operative Societies" (Articles 243-ZH to 243-ZT).
- Examples:** AMUL, IFFCO and PACS

Non-Governmental Organisations (NGOs)

- Pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development
- Registered as:**
 - Societies:** Societies Registration Act, 1860
 - Trusts:** Indian Trusts Act, 1882
 - Companies:** Section 8 Companies Act, 2013
- Constitutional Provisions:**
 - Article 19(1)(c)**
 - Article 43**
 - Concurrent List mentions** Charities and charitable institutions
- Prominent NGOs:**
 - NGO Pratham:** Pioneered the **ASER report** to assess the learning levels of children in rural India.
 - Akshaya Patra Foundation:** Provided nutritious mid-day meals to school children.

FCRA mandates registration for all NGOs intending to receive foreign donations.

NGO-DARPAN Platform - An interface between NGOs and Government Bodies.



What are the Key Challenges Related to NGOs in India?

- Regulatory Restrictions:** Strict FCRA regulations have resulted in the **cancellation of NGO licenses**, restricting access to **foreign donations**, while **domestic CSR funds** are largely directed toward **corporate-linked NGOs**, leaving **smaller organizations underfunded and struggling**.
- Trust Deficits:** NGOs face **accusations of "anti-national" activities**, leading to **audits, raids, and the closure** of NGOs. E.g., **Greenpeace India** was banned for allegedly **obstructing economic development** through its **campaigns against coal mining and nuclear power projects**.
- Lack of Transparency:** Some NGOs have been criticized for **poor accountability** and **failure to comply with reporting requirements**, leading to increased **government scrutiny** and a loss of **public trust**.
 - In several instances, NGOs that did not file their **annual returns** faced **cancellation of their FCRA registration**.

What Key Reforms Are Needed to Strengthen NGO Regulation in India?

- **Implement 2nd ARC Recommendations:** FCRA implementation should be **decentralized** to ease bureaucratic hurdles, with **balanced legislative interpretation** that protects genuine NGOs from excessive regulation while preventing **misuse of foreign funds**.
- **Stronger Anti-Money Laundering (AML) Checks:** Link NGO funding regulations to **FATF guidelines**, as India is a member. Strengthen measures to **block shell NGOs**, similar to the 2017 crackdown on over **11,000 fake NGOs**.
 - Faster blacklisting of rogue NGOs can be achieved through **automated alerts** for fund diversion, similar to **SEBI's surveillance system**.
- **Encourage Domestic Funding:** Provide **tax incentives** for **Indian donors**, and encourage **Corporate Social Responsibility (CSR)** partnerships with **credible NGOs**, such as **Tata Trusts' education initiatives**.

Conclusion

The new **FCRA amendments** strengthen **oversight** of **foreign-funded NGOs**, ensuring **transparency** and **national security**. However, balanced reforms—like **digital audits**, **Aadhaar-linked databases**, and **domestic funding incentives**—are needed to prevent **misuse** while supporting **genuine NGOs**. Stricter **FATF compliance** and faster **blacklisting of rogue entities** will enhance **accountability** without stifling **development work**.

Drishti Mains Question:

Examine the reforms needed for better regulation of NGOs receiving foreign funding in India.

UPSC Civil Services Examination, Previous Year Question:

Mains

Q. Can Civil Society and Non-Governmental Organisations present an alternative model of public service delivery to benefit the common citizen? Discuss the challenges of this alternative model.