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DEVELOPMENT PROCESSES AND THE DEVELOPMENT INDUSTRY - THE ROLE OF NGOS, SHGS, VARIOUS GROUPS AND ASSOCIATIONS, DONORS, CHARITIES, INSTITUTIONAL AND OTHER STAKEHOLDERS

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Student Notes:

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1. Development Processes

1.1. What is Development and Development Process?

A multitude of meanings have been attached to the term development. It is mostly confounded with economic growth. Also, larger meanings such as social development, sustainable development and human development are attributed to it.

In simple terms, Development is '*bringing about social change that allows people to achieve their human potential*'.

Development is a process rather than an outcome: it is dynamic in that it involves a change from one state or condition to another. Ideally, such a change is a positive one - an improvement of some sort (for instance, milestones development in a child).

Amartya Sen has given the concept of development a new dimension. He views development as a political process. According to Sen, **Development consists of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency.**

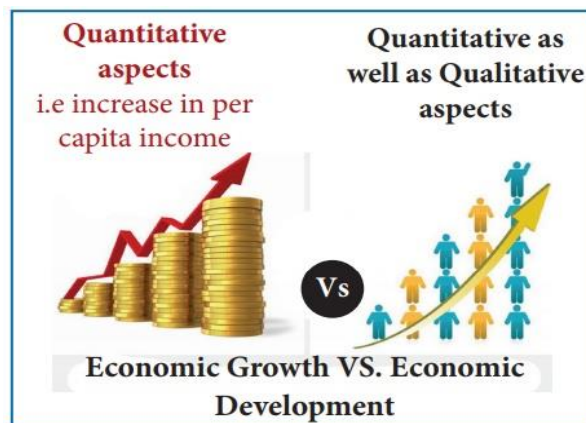
Dimensions of Development

- **Development as a political process:** It is regarded as the something that is done by some agency (state or development organization) for others (such as farmers in a developing country). It is called political process as it raises questions about who has the power to do what to whom.
- **Human Development:** Amartya Sen has been advocator of this approach. It considers economic growth as measure of development a deeply flawed and inadequate approach. It redefined the development in terms of human rights as a constitutive part and all worthwhile processes of social change are simultaneously rights-based and economically grounded. This approach focuses on the well-being of those at bottom of the society, not on the efficiency of those at the top.

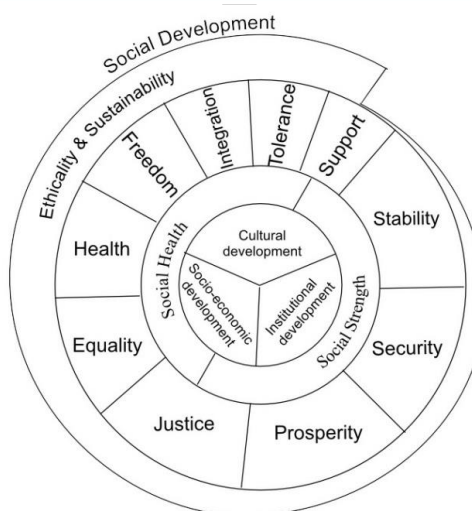


- **Sustainable Development:** "Our Common Future", also called Brundtland Report defines Sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. To achieve it, UN has established Sustainable Development Goals (SDGs) – a wide ranging targets – to be achieved by 2030. The goals and targets are universal, meaning they apply to all countries around the world, not just poor countries. Reaching the goals requires action on all fronts – governments, businesses, civil society and people everywhere all have a role to play.

- **Economic Development:** Economic development is the process by which a nation improves the economic, political, and social well-being of its people. It is different from economic growth in a sense that it involves both quantitative and qualitative change. Also, it is process by which low income national economies transform into modern industrial economies.



- **Social Development:** Social development means investing in people. It requires the removal of barriers so that all citizens can journey toward their dreams with confidence and dignity. It is about refusing to accept that people who live in poverty will always be poor. It is about helping people so they can move forward on their path to self-sufficiency. In India context, it becomes very important as social barriers like caste system proves to be fetters to realize one's potential and enjoy social freedom. Removal of such barrier through state action is important part of social development.



2. Civil Societies

2.1. What are Civil Societies?

According to the World Bank, Civil Society refers to a wide array of organizations, community groups, Non-governmental organizations [NGOs], labour unions, indigenous groups, charitable organizations, faith-based organizations, professional associations and foundations.

- Globally, the term 'Civil Society' became popular in 1980s, when it started to be identified with non-state movements defying authoritarian regime, especially in Eastern Europe and Latin America.
- When mobilized, civil society - sometimes called the "third sector" (after government and commerce) - has the power to influence the actions of elected policy-makers and businesses.
- Examples of well-known civil society organizations include Amnesty International, the International Trade Union Confederation, World Wide Fund for Nature (WWF), Greenpeace and the Danish Refugee Council (DRC).

Following representation illustrate various factors that are important for survival and sustainability of civil society.



2.2. Civil Society in India

- Civil society derives its strength from the **Gandhian tradition of volunteerism**, but today, it expresses itself in many different forms of activism. In independent India, the initial role played by the voluntary organizations started by Gandhi and his disciples was to fill in the gaps left by the government in the development process.
- The volunteers organized handloom weavers in villages to form cooperatives through which they could market their product directly and get better price. AMUL, a dairy cooperative society is the product of such cooperative movement.
- Civil Society plays a crucial role in the good governance. As India is not a participative democracy but a representative democracy, government takes all major decisions by itself. Civil Society act as interface of interaction between the government and the governed.

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal.

- Civil society's functional contribution to good governance could be:
 - **Watchdog** — against violation of human rights and governing deficiencies.
 - **Advocate** — of the weaker sections' point of view.
 - **Agitator** — on behalf of aggrieved citizens.
 - **Educator** — of citizens on their rights, entitlements and responsibilities and the government about the pulse of the people.
 - **Service provider** — to areas and people not reached by official efforts or as government's agent.
 - **Mobiliser** — of public opinion for or against a programme or policy.
- Civil society acts through 'social capital' — the capacity of people to act together willingly in their common long-term interest. Social capital is strong in a homogeneous, egalitarian society.

2.3. Types of Civil societies in India

Based on the law under which the CSOs operate and the kind of activities they take up, civil society groups in our country can be classified into following broad categories (as given in 2nd ARC):

- Registered Societies formed for specific purposes
- Charitable organisations and Trusts

- Local Stakeholders Groups, Microcredit and Thrift Enterprises, SHGs
- Professional Self-Regulatory Bodies
- Cooperatives
- Bodies without having any formal organisational structure
- Government promoted Third Sector organisations

However, a broader classification including all non-government and not-for-profit organizations can be:

- **Civil rights advocacy organizations:** to promote human rights of specific social groups e.g. women, migrants, disabled, HIV, sex workers, Dalit people, tribal people, and the likes.
- **Civil liberties advocacy organizations:** to promote individual civil liberties and human rights of all citizens, rather than focusing on particular social group.
- **Community based organizations, citizen's groups, farmers' cooperatives:** to increase citizen's participation on public policy issues so as to improve the quality of life in a particular community.
- **Business and industry chambers of commerce:** to promotion policies and practices on business.
- **Labour unions:** to promote the rights of employees and workers.
- **International peace and human rights organizations:** to promote peace and human rights.
- **Media, communication organization:** to produce, disseminate, or provide production facilities in one or more media forms; it includes television, printing and radio.
- **National resources conservation and protection organizations:** to promote conservation of natural resources, including land, water, energy, wildlife and plant resources, for public use.
- **Private and public foundations:** to promote development through grant- making and partnership.
- **The Civil society also includes:** Political Parties; Religious Organizations; Housing cooperatives, slum dwellers and resident welfare associations.

3. Non-Governmental Organizations (NGOs)

3.1. What are Non-governmental Organizations (NGOs)?

A Non-governmental organization (NGO) is a non-profit group that functions independently of any government. Civil Society, when organized in structure and specialized in function, takes the form of NGOs. They are organized on community, national and international levels to serve a social or political goal such as humanitarian causes or the environment.

Characteristics of NGOs

- It is an organization of private individuals who believe in certain basic social principles.
- They structure their activities to bring about development to communities they are servicing.
- It is a social development organization.
- An independent, democratic, non-sectarian people's organization working for the empowerment of economic and/or socially marginalized groups.
- An organization not affiliated to political parties.

Evolution of NGOs in India

Student Notes:

Period	Activities
Pre Independence	Social welfare, Constructive work (inspired by Gandhian philosophy) very much in line with independence movement
1950-1970	Social welfare, Govt. funded and managed NGO like Khadi Industries. Five year's development plans came into existence, Most of the development works were rested with NGO's
1970-1990	Civil Society space started increasing from 70s, NGO's started highlighting why govt. programme were not yielding positive results for poor and marginalized, presented new model for development with people's participation. With this new model NGO's covered vast program areas like education, primary health care, drinking water, sanitation, small irrigation, forest regeneration, tribal development, women's development, child labour, pollution safety etc. later on many of these models were included in govt programme and policies.
1990-2005	GO-NGO partnership got a boost in this period; NGOs gets more focused on Self Help Groups, Micro Credit, Livelihood. NGO participation is ensured in policy formation and programme implementation

3.2. Types of NGOs

In the 1980s, three different forms of NGO/voluntary movement emerged in India.

- **Traditional Development NGOs:** These NGOs directly engage with the public at large, go to the villages, tribal areas and carry out grass root development work related to education, health, sanitation, rural development etc. Ex: treatment centre for leprosy patients run by Baba Amte in central India.
- **Activist NGOs:** They see activism as their primary means of reaching their goals, because they do not believe they could get the authorities to move in any other way. Perhaps the best-known example of an NGO in this category is the Narmada Bachao Andolan (Save Narmada Campaign), an organization that opposed the construction of a series of large dams in a large river valley of central India.
- **Research NGOs:** They carry out intensive and in-depth analysis of topic/issue and lobby with the government, industry or other agencies to influence public policy. Ex: Centre for Science and Environment which engages in environment related works.

However, this classification is not strict and rigid. These NGOs keep taking multiple works that can be categorized in one category or other.

NGOs can also be classified on the basis of:

- Whom the NGO is designed to benefit? i.e. the beneficiary.
- What the NGO does? i.e. the activity.

Following is schematic representation of how a single NGO can have multiple activities and beneficiaries.

Beneficiary	Self	Alcoholics Anonymous	Labor unions
		Chess clubs	Trade associations
	Others	Salvation Army	WWF
		CARE	Amnesty International
		Service	Advocacy
Type of Activity			

3.3. Registration of NGOs

Indian NGOs mainly comes under three segments – Societies, Trusts, Charitable Companies.

- **Societies:** Societies have to register under the Societies Registration Act, 1860.
- **Trusts:** Private trusts are registered under the central government's Indian Trusts Act, 1882, and public ones are registered under the state legislation concerned.
- **Charitable companies:** They are set up according to section 8 of the Companies Act, 2013. For charitable companies, the compliance requirements are high, as loans and advances are easily available to them compared to a trust or a society. They have to even pay Income tax under IT act 1961.

Constitutional Provisions for NGOs in India

- Article 19(1)(c) on the right to form associations;
- Article 43 which highlights the State's having an endeavor to promote cooperatives in rural areas;
- Concurrent List in Entry 28 mentions about charities and charitable institutions, charitable and religious endowments and religious institutions;
- Part IX B – cooperative societies;
- State list – entry 32.

3.4. Role of NGOs in Development

In developing countries India, there are numerous gaps left by the government in the development process. These gaps are filled by NGOs.

- **Work where state is unwilling to work:** For example, caste is an issue that no government wants to fiddle with. The persistence of caste hierarchy suits the vote banks for the politicians. In the process, laws prohibiting discrimination on the basis of caste are often ignored unless there is an NGO working in the area that is willing to take up the cause of those being discriminated against.
- **Work where state resources are inadequate:** Two main such area include education and healthcare. There are not enough government run schools or hospitals, especially in rural areas. Even if they are present, they do not have resources. The NGOs try to complement and complete these initiatives. The mammoth NGO called Kerala Sastra Sahitya Parishad is largely credited for the hundred percent literacy rate in that state.
- **Implementation of welfare schemes:** NGOs due to proximity to general public, work as interface between government and the end users. Thus NGOs play three roles of implementer, a catalyst and a partner in the implementation of government welfare schemes.
- **Fighting social evils:** It is due to the efforts of NGOs that the government has banned sex determination of foetus as it leads to evils like abortion of female fetus.

- **Right to Shelter:** NGOs such as YUVA and SPARC in cities like Mumbai have repeatedly opposed the demolition of hutments even as they try to improve the quality of life in the sprawling slum clusters
- **Right to Information:** It is because of the efforts of NGOs that RTI has become reality in India.
- **Tribal Rights:** As witnessed in the Vedanta vs. Posco case, NGOs have raised voice against the discrimination of tribal by the multinationals. Many of these NGOs have partnered with Gram Panchayat in proper implementation of acts like Forest Rights Act, CAMPA Act etc.
- **Community Development:** Local, national and regional NGOs have emerged as major players and partners in development activities in the region. At the community level, they are in the front line in providing assistance in the acquisition of basic needs and amenities; in identifying issues, raising awareness, and in articulating the communities' problems.

Rehabilitation: NGOs did remarkable job post 2004 Tsunami. Besides helping in rescue operations, NGOs also set up vocational training centers.

3.5. Role of NGOs in Protection of Environment

The rapid growing and economic development is leading to number of environmental issues in India. In order to deal with the increasing damage to environment many Non-Governmental organizations have been set up.

- They play a crucial role in helping to **plug gaps by conducting research to facilitate policy development**, building institutional capacity, and facilitating independent dialogue with civil society to help people live more sustainable lifestyles.
- The issues like future of environmental protection, sustainable development and zero population growth are some of the major concerns of the environmental NGOs.
- Major campaigns by NGOs:
 - Climate Change,
 - Protection of Pristine forests,
 - Protection of marine life and diversity,
 - Against whaling,
 - Against Genetic Engineering/ GMOs,
 - Prevention of Nuclear Threat to wildlife,
 - Elimination of chemical and biological toxic waste,
 - Encouragement of sustainable trade etc.
- NGOs carry out mass awareness campaigns, tree planting drives, promoting ecologically sustainable practices for waste removal like vermin-culture and composting instead of dumping in landfills, supporting the use of cycles and green renewable fuels instead of fossil fuels.
- Many NGOs specialize in data-driven support to government bodies, showing quantifiable proof that encroachment upon biodiversity and water bodies is dangerous. Their reports become the basis of media attention, educating the masses and eventually molding opinion.
- Globally, NGOs have the power to bring about global treaties, including reforms to address regulation of hazardous wastes, bans on landmines, and control of greenhouse gases and emissions. The Centre for Science and Environment for example, has been a leading light on, pollution, toxins in food and beverage and other key areas.
- Some major environmental NGOs in India are:
 - Greenpeace
 - WWF
 - Bombay Natural History Society (BNHS)
 - Development Alternatives Group
 - The Energy Research Institute

- Birdlife International
- The Centre for Science and Environment

3.6. Challenges faced by NGOs in India

- **Lack of Funds** – Most of the NGOs in India are suffering from paucity of funds. Government does not give cent percent grants in aid or make delay in sanctions of grants for numerous programmes. NGOs have to make matching contributions which they are sometimes unable to manage and are, therefore, unable to avail themselves of the grants.
- **Corruption and Misuse of Funds** – It is a common experience that there have been serious charges of misuse and misappropriation of funds received as grant-in-aid from the government, foreign donors and raised through their own resources by the most of the NGOs. These NGOs may reflect its image to other NGOs who are working with dedication and commitment.
- **Inadequate Trained Personnel** – It is expected that the personnel working in NGOs shall have a sense of dedication and commitment and interest in the social services. Lack of professionally trained personnel is one of the major challenges faced by NGOs in India.
- **Inequality in rural areas** – NGOs are more developed in urban areas as compared to rural areas. The backwardness and ignorance of the rural people and lack of enthusiasm among social workers to among them in the absence of availability of minimum comforts are the two important reasons for the backwardness of the NGOs in rural areas.
- **Lack of Volunteerism/Social work among Youth** – The basic characteristic of NGO is volunteerism. The extent of volunteerism is declining day by day and turning it into professionalization. Even the young graduates from social work are interested in making their career in professionalism. This leads to lack of efficient volunteers in NGOs.

3.7. State v/s NGOs

India has witnessed boom in NGO sector. According to a conservative estimate by the Central Bureau of Investigation (CBI), there is 1 NGO for every 600 citizens in India. But there is accountability deficit with NGOs in India. Responding to a PIL filed in Supreme Court, CBI said that many don't submit details of receipt of grant and spending to tax officials.

In a Supreme Court enquiry, major states like Andhra Pradesh, Bihar, Delhi, Haryana, Karnataka, Rajasthan, West Bengal, Odisha, Tamil Nadu, Chhattisgarh and Himachal Pradesh could not provide details regarding NGOs working in their territory. This largely explains the regulatory mechanism of the NGOs in India. The Supreme Court in 2017 ordered government to audit 30 lakh NGOs and voluntary organizations that receive public funds but fail to explain their spending.

A PIL has shown that NGOs do not have a transparent mechanism in place to monitor funding. A CBI report that compiled state-wise data of 32 lakh NGOs revealed that only 10 percent of NGOs filed annual income and expenditure statements.

Intelligence Bureau, in a report accused "foreign-funded" NGOs of "serving as tools for foreign policy interests of western governments" by sponsoring agitations against nuclear and coal-fired power plants and anti-GMO agitation across the country. The NGOs, are said to be working through a network of local organizations to negatively impact GDP growth by 2–3%.

It also alleged that **Greenpeace** was leading a massive effort to take down India's coal-fired power plant and coal mining activity by using foreign funds to "create protest movements under 'Coal Network' umbrella at prominent coal block and coal-fired power plant locations in India.

In April 2015, the Government of India shared a list of over 42,000 NGOs with Financial Intelligence Unit (FIU) to check suspicious foreign funding amid the crackdown on some top international donors for flouting the Foreign Contribution Regulation Act (FCRA), 2011.

For the first time, the government clearly defined the sectors in which it has listed Christian missionaries, Hindu, Sikh and Muslim religious groups receiving foreign contribution besides other activities of NGOs in which funds are claimed to be utilized. There is also suspicion that money launderers could use the legitimate route to wire illicit money.

3.8. Suggestions to Improve the Working of NGOs

- **Relaxing regulations:** The rules and regulations of grants-in-aid should be liberalized by the government and sanction more grants to NGOs.
- **Monitoring agency:** At the same time, the government should appoint commissions of enquiry or committees to cross check the misuse of funds by NGOs. The member of committee has to supervise and monitor the activities of NGOs periodically.
- **Increasing Awareness:** Young graduates from universities, colleges and schools should conduct the public seminars, meetings etc., and use the local media to advertise the importance of volunteerism, success stories of NGOs and encourage people to participate in voluntarism.
- **Collaboration and cooperation:** Universities, colleges and schools should collaborate with NGOs and conduct a campus interviews for the young graduates who are interested in voluntarism. NSS and NCC should encourage students to participate in voluntarism from childhood days onwards.
- **Focusing on rural areas:** In India, 65% of populations belong to rural areas. NGOs, therefore, need to operate in rural areas on a bigger scale to enlist the cooperation of village people in making their lives better. At the same time, these NGOs should encourage the educated young graduates of rural areas to participate in voluntarism. The government should also give some special provisions for NGOs who are working in rural areas in getting eligibility conditions for grants.
- **Appreciate efforts of NGOs:** NGOs being a welfare organization should maintain high standard of quality in service. The government also should recognize those NGOs, by giving awards or rewards with additional grants. This would motivate the other NGOs to work efficiently.
- **Technology intervention:** The NGOs should use of latest technologies like internet, websites etc., for raising of their funds, to have mutual associations, to advertise their products and for the selection of efficient personals.
- **Incentives for personnel:** The government should revise the pay-scales and allowances to the personnel of NGOs. At the same time some special funds to be allotted for the NGOs to train the personnel at the grass root level.

3.9. National Policy on Voluntary Sector

National Policy on Voluntary Sector 2007 is a commitment to encourage, enable and empower an independent, creative and effective voluntary sector, so that it can contribute to the social, cultural and economic advancement of the people of India.

In the Policy, voluntary organizations (VOs) mean to include organizations engaged in public service, based on ethical, cultural, social, economic, political, religious, spiritual, philanthropic or scientific & technological considerations. VOs include formal as well as informal groups, such as:

- Community-based organizations (CBOs)
- Non-governmental development organizations (NGDOs)
- Charitable organizations
- Support organizations
- Networks or federations of such organisations
- As well as professional membership associations.

To be covered under the Policy, VOs should broadly have the following characteristics:

- They are private, i.e., separate from Government
- They do not return profits generated to their owners or directors
- They are self-governing, i.e., not controlled by Government
- They are registered organizations or informal groups, with defined aims and objectives.

Objectives of the Policy

- Creating an enabling environment for Voluntary Organizations (VOs) that not only stimulates their effectiveness but also protects their identity and safeguards their autonomy.
- Enabling VOs to legitimately mobilize the necessary financial resources from India and abroad
- Identifying systems by which the Government may work together with the Voluntary Sector.
- Encouraging VOs to adopt transparent and accountable systems of governance and management.

This National Policy on the Voluntary Sector-2007 envisaged to initiate a process to evolve a new working relationship between the Government and the Voluntary Sector, without affecting the autonomy and identity of VOs.

Enabling Environment for the functioning of Voluntary Sector

All laws, policies, rules and regulations relating to VOs categorically safeguard their autonomy, while simultaneously ensuring their accountability.

Voluntary organizations may be registered as societies, as charitable trusts, or as non-profit companies under Central or State laws. Some States have adopted the Societies Registration Act (1860), with amendments, while others have independent laws.

In order to encourage transfer of shares and stock options to VOs, the Government will consider suitable tax rebates for this form of donation. The Government will also simplify and streamline the system for granting income tax exemption status to charitable projects under the Income Tax Act. At the same time, the Government will consider tightening administrative and penal procedures to ensure that these incentives are not misused by paper charities for private financial gain.

An organization seeking foreign funding must be registered under the Foreign Contribution (Regulation) Act. This law prescribes stringent screening norms that often restrict the ability of VOs to avail foreign funds. When approved, there are problems like funds must be held in a single bank account, thus presenting enormous difficulties to VOs working at different locations. The Government will review the FCRA and simplify its provisions that apply to VOs,

There would be formal systems for registering complaints and for redressing grievances of VOs.

Analysis

- Most of the policies envisaged in the NPVS 2007 were not implemented. Though the directions were framed after extensive consultations with multiple stakeholders.
- The idea of a national accreditation agency for non-profits organization was proposed. But nothing has been done in this regard.
- The policy made a call for self-regulation, transparency and accountability by the NGOs. But the recent SC judgments and IB reports suggest otherwise.
- Also, the diverse character of a voluntary organization militates against a single uniform regulatory authority.

4. Self Help Groups (SHGs)

4.1. What are SHGs?

Self-help group is a method of organizing the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide. The poor collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise.

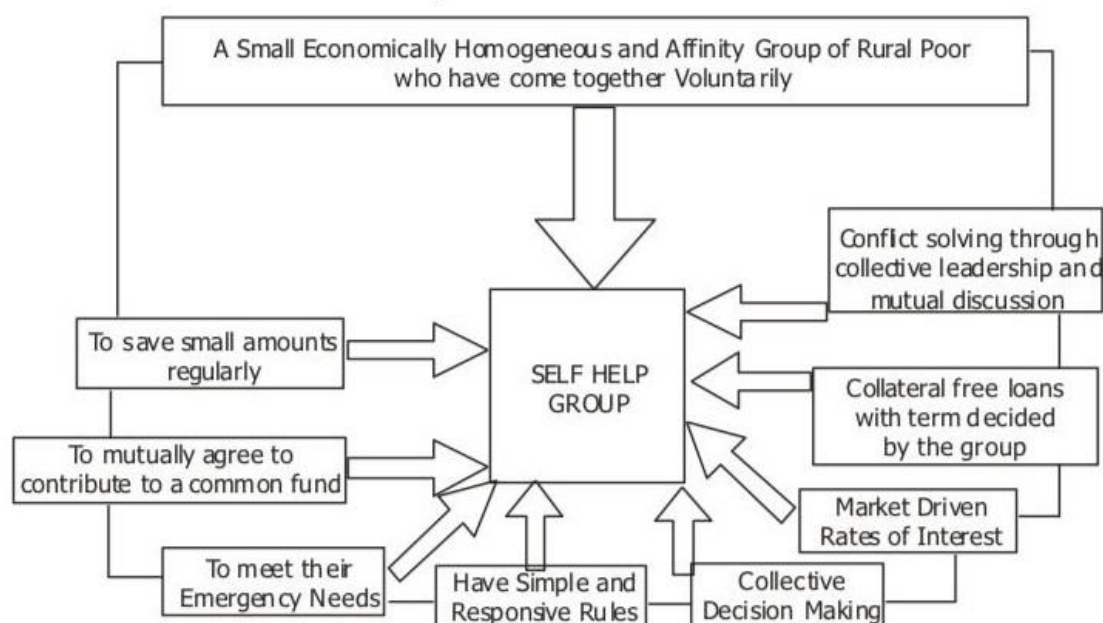
A Self Help Group is defined as a "**self-governed, peer controlled information group of people with similar socio-economic background and having a desire to collectively perform common purpose.**"

4.2. How Does SHGs Function?

- An SHG normally consists of not less than five persons (with a maximum of twenty) of similar economic outlook and social status.
- The members of the group help each other to solve their problems. A reasonably educated but helpful local person takes the lead in mobilizing these people to form a group.
- The person, called animator or facilitator, helps the group members develop the habit of thrift and promote small savings among them. The group savings are kept in a common bank account from which small loans are given to members.
- After six months, the SHG can approach any bank for availing loan facility to undertake a suitable entrepreneurial activity. The group loan is distributed among the members to run a small business. The loan is repaid out of the profits earned.



Objectives of an SHG



4.3. Evolution of SHGs in India

- Evolution of SHGs as a tool to empower is as long as the history of development sector in India. SHG as an organized way for poverty eradication was immersed during the 7th Five Year Plan (1985-90).
- Formation of SHGs for savings and credit, and their linkage to commercial banks was initiated in India by MYRADA (Mysore Resettlement and Development Agency), an NGO, in the mid-1980s.
- However, SHGs as a tool to address poverty became significant only when the Reserve Bank of India (RBI) issued a circular in 1992 to link about 500 groups under the NABARD-SHG bank linkage pilot program.
- This success has led to mainstreaming of SHGs into the financial landscape and especially the Indian banking system, with about 94 million poor linked with banks through 7.5 Million SHGs, availing them of collateral free credit.
- The poor women of these SHGs in India collectively control the financial business with an annual turnover of Rs. 100,000 crores (\$17 Billion), much larger than many multi-national corporations in India.
- Simultaneously, a handful of large Indian NGOs have demonstrated that collectivization can lead to social and economic empowerment of the poor in the areas of health, bridging caste divides and gender inequalities.
- As a part of the poverty alleviation measures, the Government of India launched the Swarnjayanti Gram Swarozgar Yojna (SGSY) in April, 1999 where the major emphasis is on SHG formation, social mobilization and economic activation through micro-credit finance
- This success led to the genesis of a massive community mobilization initiative by the Government of India as National Rural Livelihoods Mission (NRLM) in 2011.

4.4. Benefits of SHGs

- **Mobilizes women from rural areas:** According to the estimates, about **46 million rural poor women** are mobilized through SHGs architecture. These organizations have been an effective vehicle, especially in providing financial intermediation solutions for unbanked rural women.
- **Socio-economic benefits:** It includes economic self-independence, participation in village affairs and awareness about education.
- **Special Focus:** Under **National Rural Livelihood Mission**, special attention has been given to women living below poverty line (BPL). The scheme has also focused on capacity building and institutionalization of SHGs. It has also helped in social mobilization, institution building, communization and creation of human resource.
- **Improves the status of women in family and society:** Regular process of group meetings helps women build social capital which raises their status in the family and the society. It also leads to economic empowerment which helps them take decision making role in the family. Thus help them break shackles of patriarchy.
- **Improves health and standard of living:** A research has also shown that Women practicing 'participatory learning and action' showed 49 % reduction in maternal mortality and 33 % reduction in neonatal mortality.

4.5. General Issues related to SHGs

- **Agricultural Activities:** Most of the SHGs work at local level and engaged in agricultural activities. SHGs in rural areas should be introduced to non-agricultural businesses too and should be provided with state-of-the art machinery.
- **Lack of Technology:** Most of the SHGs work with rudimentary or no technology.
- **Access of market:** Also the goods produced by SHGs do not have access to larger market place.

- **Poor Infrastructure:** Most of these SHGs are situated in rural and far reach areas that lack connectivity via road or railways. Access to electricity remains an issue.
- **Lack of training and capacity building:** Most of the SHGs work on their own without outreach from the state for skill development and capacity building.
- **Politicization:** Political affiliation and interference has become a serious problem with SHGs. Political affiliation is also a major reason for group conflicts.
- **Credit Mobilization:** A study has shown that about 48% of the members had to borrow from local money lenders, relatives and neighbors because they were getting inadequate loan from groups. Also issues like hoarding of money was witnessed.
- **System of monitoring:** The general reports on the progress of SHGs show statistics of growth and spread of SHGs without questioning the process and internal health of the SHGs.
- **Livelihood promotion:** There is need to evolve a methodology for promoting micro enterprises among SHG members that can be replicated on a large scale.

4.6. Socio-Cultural Hurdles in Penetration of SHGs in Rural Areas

There has been uneven distribution in the spread of SHGs in India. Socio-cultural factors along with government support and presence of NGOs have been major reasons for that. In March 2001, 71% of the linked SHG, were from southern region consisting of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.

- While poor performing states are also those states which have high incidence of poverty like UP and Bihar.
- These are also the states where society is deeply entrenched in patriarchy with limited financial and social role for women.
- Also the spirit of entrepreneurship is discouraged in a feudal society. The traditional society dictate strict role for male and female members with little scope for independent decision making and economic freedom.
- Due to family responsibilities, majority of the women members cannot give their attention to their enterprises.
- One of the major hurdles in lack of support from family members.
- Due to male dominated society, women members could not uplift their business followed by lack of social mobility.
- There is no stability of the units as many married women are not in a position to associate with the group due to the shift of their place of residence.
- In many SHGs strong members try to earn a major share of the profit of the group, by exploiting the ignorance and illiterate members.

4.7. Measures Taken by the Government to Promote the SHGs

- **Self Help Group-Bank Linkage Programme:** On the recommendations of SK Kalia Committee, the SHG-Bank linkage programme was started at the initiative of NABARD in 1992 to link the unorganised sector with the formal banking sector. Under this programme, banks were allowed to open savings accounts for Self-Help Groups (SHGs). Banks provide loans to the SHGs against group guarantee and the quantum of loan could be several times the deposits placed by such SHGs with the banks. Banks should consider entire credit requirements of SHG members, namely,
 - (a) Income generation activities,
 - (b) Social needs like housing, education, marriage, etc. and
 - (c) Debt swapping".
 It is being implemented by commercial banks, regional rural banks (RRBs), and cooperative banks.

- **SHG-bank Linkage programme:** The RBI took a series of measures in April 1996 to give a thrust to micro finance based Lending under the SHG-bank Linkage programme. For instance: Banks were advised to consider lending to the SHGs as part of their mainstream credit operations, to identify branches having potential for linkage with SHGs and provide necessary support services to such branches while including the SHG-lending within their Service Area Plan. Over 103 million rural households have now access to regular saving through 7.96 million SHGs linked to benefit.
- **Priority Sector Lending:** GOI has included SHG as a priority sector to mandate and enhance banks focus on them. Bank credit to members of SHGs is eligible for priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, Social Infrastructure and Others.
- **Grain banks:** SHG, have been allowed to run grain banks to secure the food security in food & care regions.
- **Priyadarshini scheme,** with NABARD as the nodal agency, has aimed at women empowerment and livelihood enhancement through SHGs.
- **Deendayal Antodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM):** It seeks to alleviate rural poverty through building sustainable community institutions of the poor. Mission closely works with the Department of Financial Services (DFS), Reserve Bank of India (RBI) and the Indian Bank Associations (IBA) to provide bank credit to SHGs. The financial year 2017-18 has seen more than 82 lakh households mobilized into 6.96 lakh Self Help Group (SHGs) across the country. Cumulatively, more than 4.75 crore women have been mobilized into more than 40 lakh SHGs. The mission also provides Interest Subvention to women SHGs availing bank loans amounting to Rs.3.00 lakhs, to subsidize the cost of borrowing. The interest subvention effectively reduces the cost of borrowing to 7% per annum.
- **Mahila Kisan Shashaktikaran Pariyojana:** In order to promote agro-ecological practices that increase women farmers' income and reduce their input costs and risks, the DAY-NRLM Mission has been implementing the Mahila Kisan Shashaktikaran Pariyojana (MKSP). As of March 2018, more than 33 lakh women farmers were being supported under this scheme.
- Some other successful initiatives taken by the state governments are **Kudumbshree in Kerala, Jeevika in Bihar, Mahila Arthik Vikas Maha Mandal (MAVIM) in Maharashtra.**

4.8. Suggestions to Improve the Working of SHGs

- An **integrated approach** is required for meeting overall credit needs of a poor family in terms of backward linkages with technology and forward linkages with processing and marketing organizations.
- **Credit needs to be provided** for diversified activities including income generating livelihood activities productions, housing consumption loan and against sudden calamities. **Simplify the process of giving loans,** i.e. reduce the number of questions to important non repetitive ones.
- The **delivery system has to be proactive** and should respond to the financial needs of the farmers.
- **Training programmes** relating to management of finances, maintaining accounts, production and marketing activities etc. should be given.
- Provide **gender sensitization training** to bank staff so that they are sensitized to the needs of rural clients especially women.
- **Adequate insurance coverage** should be provided to the business units promoted by SHG against the financial losses to safeguard the interest of the entrepreneurs.

5. Aid and Private Funding in Development

5.1. Development Aid in India

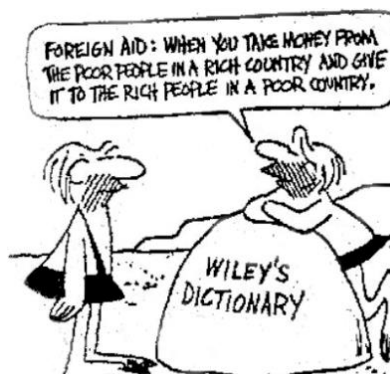
Development aid is financial aid given by governments and other agencies to support the economic, environmental, social and political development in developing countries. It involves long term strategy to alleviate poverty.

- Foreign experts call India a '**development paradox**'. India is one of the largest economies with high growth rate. It spends substantial amount on the defense expenditure. Yet, it seeks development aid. It has created quite a debate at international level.
- **Corruption:** Foreign grants (often in dictatorial states in Africa) are siphoned by government officials for private. It has also bred numerous non-performing NGOs.
- **Identification of Projects:** A very great deal of money has been wasted in the past because proposals have not been sufficiently investigated before aid was granted, and because priorities have not been correctly established.
- **Influence recipient countries:** Aid donors are often accused of trying to exercise unnecessary influence over recipient governments and the policies they undertake.
- **Debt Serving:** In the global economic slowdown, many countries have not been able to service their debt.



5.2. Foreign Aid to India

- The term "foreign aid" is derived from the concept of "Overseas Development Assistance" or ODA. In UN parlance ODA is a commitment assumed by developed countries, members of the OECD, to extend development assistance to developing countries. Currently, developed countries are committed to transferring 0.7% of their GDP as ODA to developing countries, though few have achieved this target.
- The India was the sixth largest recipient of foreign aid in 2011 and continues to be one of the highest recipients. According to the data on World Bank's website, it received \$3.2 billion in 2011, \$1.6 billion in 2012 and \$2.4 billion in 2013.
- The top donors have been- World Bank, Japan, Germany, Asian Development Bank, United Kingdom, France, Global Fund (to fight AIDS, tuberculosis and malaria), United States and European Union.
- India has also been giving aid to other countries. It has a foreign aid budget of \$1.6 billion for the period 2015-16.
- However in recent times foreign aid coming to India has declined significantly. It partly due to India's rapid economic progress and partly due to ever-changing geo-political axis.
- U.S. aid to India, targeted toward clean energy, food security and health, has dropped 25 percent in recent years, from nearly \$127 million in 2010 to a proposed \$98.3 million in 2013.
- In 2015, UK stopped giving aid to India owing to it's economic growth. Indian government welcomed the move by suggesting that 'aid is past, trade is future'.
- India now sees – and projects – itself as a global power and a partner to developed nations like Britain, rejecting the traditional model of rich nations aiding poor ones.



5.3. Foreign Funding and NGOs

Being non-profit organizations, NGOs entirely depend upon contribution – foreign or domestic – for their functioning. In recent times, many NGOs have come under the government scanner.

The Foreign Contribution (Regulation) Act, 2010 (FCRA) and Foreign Contribution (Regulation) Rules, 2011 (FCRR) framed thereunder regulate the receipt and usage of foreign contribution by non-governmental organizations (NGOs) in India.

Foreign Contribution Regulation Act, 2010

This act replaced the Foreign Contribution (Regulation) Act, 1976 (FCRA). The act seeks to regulate the acceptance and utilization of all foreign funds through donations, gifts or grants.

- The 1976 Act lists a number of organisations and individuals that are prohibited from accepting foreign contribution. The Bill adds organisations of a “political nature” and electronic media organisations to the list.
- The act requires all persons to register under FCRA to accept foreign contribution. The central government may deny, suspend or cancel certification under certain conditions.
- Organisations must renew FCRA certification every five years.
- It prohibits acceptance and use of foreign contribution or foreign hospitality by a certain specified category of persons such as a candidate for election, judge, journalist, columnist, newspaper publication, cartoonist, et al.
- The act prevents use of foreign contribution or foreign hospitality for any activity detrimental to the national interest.
- The foreign contribution shall be utilized for the purpose for which it has been received and such contribution can be used for administrative expenses up to 50% of such contribution received in a financial year.
- Every bank shall report to such authority, as may be prescribed, the amount of foreign remittance received, sources and manner and other particulars.
- Every NGO registered or having prior approval under the Act must file an annual report with the Authority in the prescribed form. This report must be accompanied by an income and expenditure statement, receipt and payment account, and balance sheet for the relevant financial year. For financial years where no foreign contribution is received, a 'NIL' report must be furnished with the Authority.
- New provisions have been made for suspension as well as cancellation of registration granted for violation of the provisions of the Act.

The act has a very wide scope and is applicable to a natural person, body corporate, all other types of Indian entities (whether incorporated or not) as well as NRIs and overseas branches/subsidiaries of Indian companies and other entities formed or registered in India. It is implemented by the Ministry of Home Affairs, Government of India.

Recent issues with the FCRA act and impact on the NGOs

- In 2018, FCRA registration of nearly 19,000 NGOs were cancelled and they were barred from receiving foreign funds. Also, it was highlighted that 2,547 NGOs have not adhered to the government orders to submit their pending annual returns -- income and expenditure, receipts of funds from abroad and balance sheets.
- Of all the total funds that are coming, 13% is for contentious issues like religious institutions and awareness campaign. Government is terming both as anti-national activity as religious institutions are fueling terrorist activities and awareness campaign are targeting developmental projects of Government
- Experts have signaled towards a paradox where India promotes FDI but throttles contribution to NGOs. In the past, similar bans were put by communist countries like Russia and Hungary.

- An IB report blamed NGOs for slump in India's GDP. It is also accused that some Christian NGOs are engaged in proselytization. US based NGO Compassion International was put on 'priority list' by the government.
- In 2018, the government relaxed penalties on NGOs violating FCRA norms. From now on, instead of suspension or cancellation of licenses, hefty fines will be levied on NGOs. These fines will not be applicable retrospectively.

Finance Bill 2016, inserted an amendment that shielded political parties from violating the norms of FCRA. The amendment was brought after a case was filed in Delhi High Court regarding donations made to BJP and INC by London based multinational Vedanta. In March 2018, the parliament through Finance Bill 2018 amended the repealed Foreign Contribution Regulation Act (FCRA), 1976 retrospectively. The aim is to exempt political parties from scrutiny of funds they have received from abroad since 1976. It must be reiterated that the Representation of the People Act and the FCRA bar political parties from receiving foreign funds. Foreign firms can now fund NGOs in India as well as the political parties.

The FCRA Amendment, 2020

The inflow of foreign contribution has doubled between years 2010-2019, and there have been numerous cases of **misuse** and **misappropriation** of funds, leading to the government cancelling 19,000 registrations in the past few years. Faced with this situation, the FCRA Amendment, 2020 is brought in by the centre to strengthen the compliance mechanism, enhance transparency and accountability in the receipt and utilisation of foreign contribution (to ensure that foreign money is not used against national interests or anti-national activities) and facilitate genuine non-governmental organisations or associations who are working for the welfare of the society.

Major amendments:

- **Prohibition to accept foreign contribution:** Under the Act, certain persons are prohibited to accept any foreign contribution. These include election candidates, editor or publisher of a newspaper, judges, government servants, members of any legislature, and political parties, among others. The Bill adds public servants (as defined under the Indian Penal Code) to this list. Public servants include any person who is in service or pay of the government or remunerated by the government for the performance of any public duty.
- **Transfer of foreign contribution:** Under the Act, foreign contribution cannot be transferred to any other person unless such person is also registered to accept foreign contribution (or has obtained prior permission under the Act to obtain foreign contribution). The Bill amends this to prohibit the transfer of foreign contribution to any other person. The term 'person' under the Act includes an individual, an association, or a registered company.
- **Aadhaar for registration:** The Act states that a person may accept foreign contribution if they have: (i) obtained a certificate of registration from central government, or (ii) not registered, but obtained prior permission from the government to accept foreign contribution. Any person seeking registration (or renewal of such registration) or prior permission for receiving the foreign contribution must make an application to the central government in the prescribed manner. The Bill adds that any person seeking prior permission, registration or renewal of registration must provide the Aadhaar number of all its office bearers, directors or key functionaries, as an identification document. In case of a foreigner, they must provide a copy of the passport or the Overseas Citizen of India card for identification.
- **FCRA account:** Under the Act, a registered person must accept foreign contribution only in a single branch of a scheduled bank specified by them. However, they may open more accounts in other banks for utilization of the contribution. The Bill amends this to state that foreign contribution must be received only in an account designated by the bank as "FCRA account" in such branch of the State Bank of India, New Delhi, as notified by the central

government. No funds other than the foreign contribution should be received or deposited in this account.

- **Restriction in the utilization of foreign contribution:** Under the Act, if a person accepting foreign contribution is found guilty of violating any provisions of the Act or the unutilized or unreceived foreign contribution may be utilized or received, only with the prior approval of the central government. This amendment Bill also seeks to prohibit the transfer of FCRA funds to other persons or organisations. The Bill adds that the government may also restrict usage of unutilized foreign contribution for persons who have been granted prior permission to receive such contribution. This may be done if, based on a summary inquiry, and pending any further inquiry, the government believes that such a person has contravened provisions of the Act.
- **Renewal of license:** Under the Act, every person who has been given a certificate of registration must renew the certificate within six months of expiration. The Bill provides that the government may conduct an inquiry before renewing the certificate to ensure that the person making the application: (i) is not fictitious or benami, (ii) has not been prosecuted or convicted for creating communal tension and (iii) has not been found guilty of diversion or misutilisation of funds, among others conditions.
- **Reduction in use of foreign contribution for administrative purposes:** Under the Act, a person who receives foreign contribution must use it only for the purpose for which the contribution is received. Further, they must not use more than 50% of the contribution to meeting administrative expenses. The Bill reduces this limit to 20%.
- **Surrender of certificate:** The Bill adds a provision allowing the central government to permit a person to surrender their registration certificate. The government may do so if, post an inquiry, it is satisfied that such person has not contravened any provisions of the Act, and the management of its foreign contribution (and related assets) has been vested in an authority prescribed by the government.
- **Suspension of registration:** Under the Act, the government may suspend the registration of a person for a period not exceeding 180 days. The Bill adds that such suspension may be extended up to an additional 180 days.

Why it is significant?

- **Prevent misuse:** The annual inflow of **foreign contribution has almost doubled** between the years 2010 and 2019, but many recipients of foreign contribution **have not utilised the same for the purpose** for which they were registered or granted prior permission under the FCRA 2010. Recently, the Union Home Ministry has **suspended licenses of the six (NGOs)** who were alleged to have used foreign contributions for religious conversion.
- **Strengthen National security:** Many persons were **not adhering to statutory compliances** such as submission of annual returns and maintenance of proper accounts. Such a situation could have **adversely affected the internal security** of the country.
- **Transparency and accountability:** The new Bill **aims to enhance transparency and accountability** in the receipt and utilisation of foreign contributions and facilitating the genuine non-governmental organisations or associations who are working for the welfare of society.

Criticism of the FCRA Bill, 2020:

- **Increased Bureaucratic discretion:**
 - **Greater scrutiny by the government:**
 - Identification requirements- Aadhaar has been made mandatory for all office bearers, directors or other key functionaries of NGOs for registration.
 - Surrender of certificate- NGOs can surrender registration only after a government enquiry.
 - Renewal of FCRA license- For renewals of licenses an inquiry needs to be conducted to ascertain misutilisation of funds.

- Period of suspension of registration- It has been doubled from 180 to 360 days.
- Power to prohibit- Government can preclude receipt and utilisation of foreign contributions if the recipient is found guilty of violating any provisions of the Act
- **Suppression of freedom of speech and expression:** Such stipulations risk misusing the law to silence association involved in advocating political, economic, social, environmental or cultural priorities which differ from those espoused by the government.
- **Increased compliance burden on NGOs:**
 - **Lack of clarity on the law's applicability:** Operational continuity of around 20,000 NGOs has been affected due to inability in either receiving funds or transferring funds to partner NGOs within India.
 - **Tracking of funds:** Foreign funds will be tracked via a single FCRA account in a bank branch designated by the government. Migration of all FCRA designated accounts will create more hurdles and paperwork for NGO,
 - **Banning re-granting of funds:** NGOs are prevented from re-granting funds to other licensed NGOs. The increased transactional burden on foreign donors will create a significant deterrent to such funding.
 - **Limit on expenses:** Amendment places 20% ceiling on administrative expenses previously capped at 50%. This limits investments in personnel, travel, technology, legal and financial services, reporting, stationery and printing, preventing NGOs from building sustainability and performing key roles. Each of the above have significant financial and compliance implications for NGOs.

As the above provisions will further widen the trust deficit between NGOs and the centre, further efforts need to be taken after consultation with all the stakeholders involved. While regulation and reform in the NGO sector are needed, we need to take into account its contribution to human rights and public awareness is significant in India.

5.4. Foreign Aid from India

India has been one of the major receiver of development aid. But the trend is changing with India giving more aid to foreign countries than it has received. In the financial year 2015-16 India gave Rs. 7719.65 crores as aid whereas it received Rs. 2,144.77 crore in aid from foreign countries and global banks.

Development Aid to foreign countries not only serves economic objectives but also as a strategic tool.

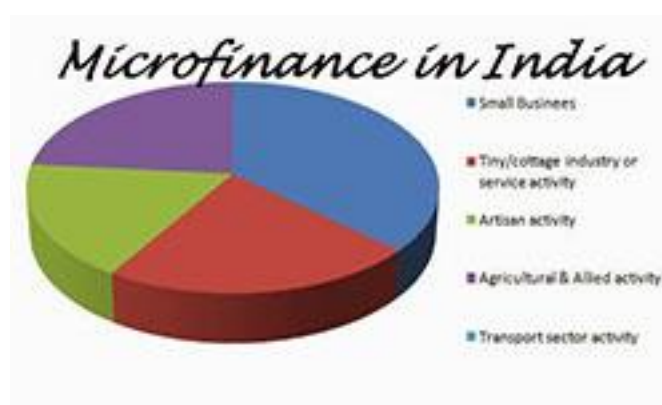
- India wants to project itself as major economic power and rightful claimant to **permanent membership to UNSC**.
- **Neighborhood First Policy:** The neighborhood is the biggest recipient of aid from India. Bhutan for years have received the biggest chunk of Indian aid with Rs. 2,884.65 crores in 2019-20, primarily aimed at developing hydro-electric power. Also, India is 2nd largest donor in Afghanistan.
- **Ethnic Issues:** In Sri Lanka, India is undertaking the construction of houses for rehabilitation of Tamil population displaced by nearly three decades long war.
- **Soft Power:** India offer aid to extend the reach of its soft power.
- Another major reason is to counter the influence of China in India's neighborhood.
- South Asia is disaster prone and many countries in the regions can't carry out relief work on its own.

6. Microfinance Institutions

6.1. What are Microfinance Institutions?

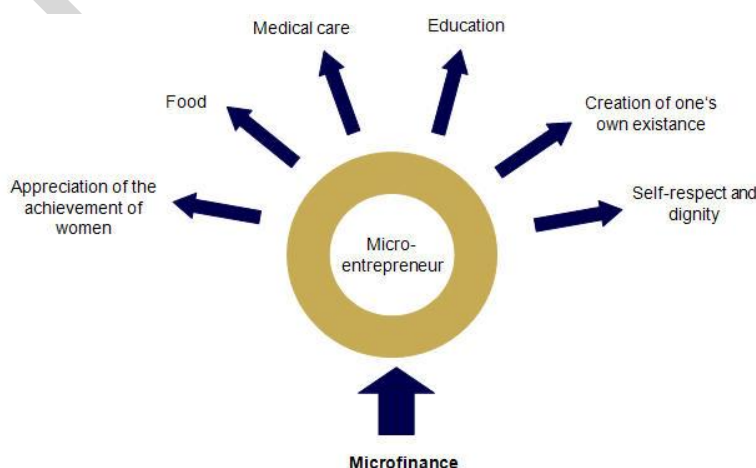
Microfinance, also called microcredit, is a type of banking service that is provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services.

- Microfinance institutions (MFIs) are financial institutions working towards the upliftment of the needy and underprivileged section of the society by providing short-term loans to set up their own venture. They take a minimum or very calculated risk and fund the interested borrowers to help them get trained, setup and run a small-scale business.
- MFIs operate in a number of forms and shapes in India:
 - Joint Liability Groups
 - Self Help Groups
 - The Grameen Bank Model
 - Rural Cooperatives.
- The lending system of the MFIs is completely different from that of the traditional banking sector. In Microfinancing sector, an official gets appointed by the concerned financial institution who can get in touch with the group to discuss the loan application and disbursal procedure.
- He/she understands the skills and requirements of the applicant first and then on the basis of that he/she finalizes the amount.
- The appointed officer not only understands the business that the borrower is currently conducting or interested to start in future, but he or she also analyses the risk factor associated with it.



6.2. Role of Microfinance Institutions in Development

- **Women Empowerment:** Microfinance institutions are playing a major role in empowering the women force in India. By offering financial services to the poor unprivileged women of the country, the institutions have opened a door for their economic growth. Uneducated, poor and unemployed women usually don't get access to loans from typical lending organizations and this is where the MFIs have come to their help.
- **Rural Development:** More than subsidies, poor need access to credit. Absence of formal employment make them 'non-bankable'. This forces them to borrow from local moneylenders at exorbitant interest rates. MFIs enhance credit to poor even in the absence of formal mortgage.



- **Financing the unfinanced:** The microfinance sector consistently focuses on understanding the needs of the poor and on devising better ways of delivering services in line with their requirements, developing the most efficient and effective mechanisms to deliver finance to the poor.
- The **World Bank estimates** that more than 500 million people have directly or indirectly benefited from microfinance-related operations.
- The benefits of microfinance extend beyond the direct effects of giving people a source for capital. Entrepreneurs who create successful businesses, in turn create jobs, trade, and overall economic improvement within a community.
- Empowering women in particular may lead to more stability and prosperity for families and subsequently in the society.

6.3. Issues Related to Microfinance Institutions

- **Higher rates of interest:** MFIs' charge a very high rate of interest (12-30%) as compared to commercial banks (8-12%). Recently, the RBI (India's regulatory bank) announced the removal of upper limit of 26% interest on MFI loans. This has worsened the situation for customers and led to farmer's suicide in states like Andhra and Maharashtra.
- **Over-dependence on banking sector:** Around 80% of their funds come from banks. Most of these are private banks charge a high rate of interest and also the term of loans is of shorter period. It makes them incompetent and less reactive to cases of default and delinquencies.
- **Lack of awareness of financial services:** Financial literacy is very low in India. About 76% of the population do not understand basic financial concepts. MFIs struggle to make their business more financially viable due to this lack of awareness
- **Regulatory Issues:** RBI is the regulator for MFIs. But needs and the anatomy of micro finance industry is supremely different from that of banks. Regulatory issues have led to sub-optimal performance and failure in the development of new financial products and services
- **Appropriate Model:** Most of the MFIs follow SHG or JLB model. Most of the time selection of model is not scientific in nature. It affects the sustainability of the organisation in the long-run and also increases the risk of borrowings for the poorer section beyond they can bear.

6.4. Suggestions to Improve the Working of Microfinance Institutions

- **Supervision:** There is need for **field supervision of MFIs** to check ground realities and the operational efficiency of such institutions.
- **Incentivizing rural penetration:** Incentives should be offered to MFIs for opening branches in unbanked villages, so as to increase rural penetration.
- **Improving services:** MFIs be encouraged to offer complete range of products to their clients. Transparent pricing and technology implementation to maintain uniformity and efficiency are among the others which these institutions should adopt.
- **Funds availability:** Inability of MFIs in getting sufficient funds is a major hindrance in the microfinance growth and so these institutions should look for alternative sources of funds. It includes outside equity investment, portfolio buyouts and securitization of loans which only a few large MFIs are currently availing.
- **Information and technology:** It can induce massive impact on the state of credit market accessibility which remains the most significant issue when it comes to availability of formal loans at market price.
- **Separate regulatory authority:** Indian microfinance industry came a long way from 1975 with the development of RRB (Regional and Rural Banks). Smooth functioning of Indian

microfinance industry can be enabled through setting up of a separate regulatory authority to discourage malpractice and political influence.

- **Strengthening the credit check and debt collection processes** and educating the villagers about products and consequences is important.

7. Societies, Trusts, Donors, Charities and other Stakeholders

The law concerning Societies, Trusts, Waqfs and other endowments in India can be placed in three broad groupings:

- **Societies** registered under the Societies Registration Act, 1860 and various States amendments on it after 1947;
- Those engaged in pure **religious and charitable work** registered under the Religious Endowments Act, 1863; the Charitable and Religious Trusts Act, 1920; the Waqf Act, 1995 and similar other State Acts;
- **Trusts and charitable institutions** registered under the Indian Trusts Act, 1882; Charitable Endowments Act, 1890; the Bombay Public Trusts Act, 1950; and similar other State Acts.

7.1. Societies

A Society is basically an association formed by seven or more persons with some common objectives for promotion of literature, fine arts, science etc. There may or may not be some common asset to start with but, in course of time, the Society can acquire assets. They are registered under Societies registration Act, 1860.

Many of State legislations (through post-Independence amendments) went for widespread governmental controls to deal with abuses, malfeasance and nonfeasance of Societies. The legal measures include:

- State's power of enquiry and investigation;
- cancellation of registration and consequent dissolution of Societies;
- supersession of the Governing Body;
- Appointment of administrator;
- Dissolution; and
- Deletion of defunct organisations.

7.2. Trusts, Religious Endowments and Waqfs

Trusts, Endowments and Waqfs are legally created as modes of property arrangement/settlement dedicated for definite charitable and religious purposes. The details with regard to their incorporation, organisational structure and distribution of functions and powers are governed by the provisions of the specific law under which they are registered.

Broadly, such organisations can assume a legal personality in the following five ways:

- By way of formal registration before the Charity Commissioner / Inspector General of Registration under the respective State Public Trusts Act e.g. the Bombay Public Trusts Act, 1950, the Gujarat Public Trusts Act etc.;
- By invoking interference of civil courts to lay down schemes for governing a Trust under Sections 92 and 93 of the Civil Procedure Code;
- By registering the Trust deed of a Public Charitable Trust under the Registration Act, 1908;
- By notifying an organisation in the list of Charitable Trusts and Religious Endowments which are supervised by the Endowments Commissioner of the State or by a Managing Committee formed under the Charitable Endowments Act, 1890 or under other State laws on Hindu Religious and Charitable Endowments; and
- By creating a Waqf which could be managed under the provisions of the Waqf Act, 1995.

7.2.1. Trusts

Trust is a special form of organisation which emerges out of a will. The will maker exclusively transfers the ownership of a property to be used for a particular purpose. If the purpose is to benefit particular individuals, it becomes a Private Trust and if it concerns some purpose of the common public or the community at large, it is called a Public Trust.

Difference between Trust and Society

- The subjects on which an institution can be registered under the Societies Registration Act, 1860 are practically the same as those on which a Trust could also be formed.
- The Society, prima facie, is a democratic entity, as all its members (at least seven in number) have an equal say in its running whereas in a Trust, control over the property remains fully in the hands of the Trustees and depending on the clarity of the will, such a management continues to be in existence for a long time.
- Government intervenes only when Trustees change or the Trust becomes too old to be managed as per stipulations of the original will, or on grounds of malfeasance or abuse of trust.

7.2.2. Religious Endowments

- Religious Endowments and Waqfs are variants of Trusts which are formed for specific religious purposes e.g. for providing support functions relating to the deity, charity and religion amongst Hindus and Muslims respectively.
- Unlike Public Trusts, they may not necessarily originate from formal registration, nor do they specifically emphasise on a triangular relationship among the donor, Trustee and the beneficiary.
- Religious endowments arise from dedication of property for religious purposes. The corresponding action among the Muslim community leads to the creation of Waqfs. Waqfs tie up the property and devote the usufruct to people.
- The Indian Constitution recognizes freedom to manage religious affairs as one of the fundamental rights of its citizen. According to Article 26 - "Subject to public order, morality and health, every religious denomination or any section thereof shall have the right:
 - to establish and maintain institutions for religious and charitable purposes;
 - to manage its own affairs in matters of religion;
 - to own and acquire movable and immovable property; and
 - to administer such property in accordance with law.
- Though, the above provision gives freedom to create Trusts / charitable institutions for religious purposes, it puts some rider on administration of such property "in accordance with law" – Article 26(d).

7.2.3. Waqfs in India

- Under Muslim rule in India, the concept of Waqf was more widely comprehended as aligned with the spirit of charity endorsed by the Quran. Waqf implies the endowment of property, moveable or immovable, tangible or intangible to God by a Muslim, under the premise that the transfer will benefit the needy. As it implies a surrender of properties to God, a Waqf deed is irrevocable and perpetual
- Currently, 300000 Waqfs in India are being administered under various provisions of the Waqf Act, 1995. This Act is applicable throughout the country except for Jammu and Kashmir and Dargah Khwaja Saheb, Ajmer.
- The management structure under the Act consists of a Waqf Board as an apex body in each State. Every Waqf Board is a quasi-judicial body empowered to rule over Waqf-related disputes. At the national level, there is Central Waqf Council which acts in an advisory capacity.

- The Waqf Act was amended in 2013. The amended Waqf Act, has made provisions for strengthening the Waqf Institution and streamline their functioning. Some of the important provisions incorporated in the Act are-
 - The definition of Waqf has been modified to allow non-Muslims also to create Waqf
 - If the tenancy, lease or license has expired or been terminated, this would be considered as encroachment
 - The Central Waqf Council has been empowered to issue directive to the State Waqf Boards on their financial performance, survey, maintenance of Waqf deeds, revenue records, and encroachment of Waqf properties seeking annual report and audit report
 - Any dispute arising out of a directive issued by the Central Waqf Council to be referred to a Board of Adjudication to be constituted by the Central Government, to be presided over by a retired judge of the Supreme Court or a retired Chief Justice of a High Court
 - The Establishment of State Waqf Boards within 6 months from the date of commencement of this Act
 - 'Sale', 'Gift', 'Mortgage', 'Exchange' and 'Transfer' of Waqf properties have been prohibited to curb alienation of Waqf properties
 - 'Lease' of Waqf properties is being allowed. However, 'Lease' of Mosque, Dargah, Khanquah, Graveyard and Imambara has been prohibited
 - The lease period has been enhanced uniformly upto 30 years for commercial activities, education or health purposes with the approval by the State Govt. because of the long gestation periods of such projects and the long periods of return on capital employed. The maximum period of lease of agricultural land is fixed for 3 years. Further, lease beyond 3 years is to be intimated to the State Government and it would become effective only after 45 days.

7.3. Trade Unions

In terms of Section 2 of the Trade Unions Act, 1926, a "Trade Union means a combination, whether temporary or permanent, formed primarily for the purpose of regulating relations between workmen and employers or between workmen and workmen or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more Trade Unions." For instance: E.g. All India Trade Union Congress (AITUC), Bhartiya Mazdoor Sangh (BMS), Centre for India Trade Unions (CITU) etc.

- Importantly, it is also provided that no member of the Council of Ministers or a person holding an office of profit (not being an engagement or employment in an establishment or industry with which the Trade Union is connected), in the Union or a State, shall be a member of the executive or other office bearer of a registered Trade Union.
- The first registered trade-union is considered to be the Madras Labour Union founded by B.P. Wadia in 1918, while the first trade union federation to be set up was the All India Trade Union Congress in 1920.
- The purpose of these unions is to look into the grievances of wagers and present a collective voice in front of the management. Hence, it acts as the medium of communication between the workers and management.
- Regulation of relations, settlement of grievances, raising new demands on behalf of workers, collective bargaining and negotiations are the other key principle functions that these trade unions perform.
- The Indian Trade Union Act, 1926, is the principle act which controls and regulates the mechanism of trade unions. In India, political lines and ideologies influence trade union movements. This is the reason why today political parties are forming and running trade unions.

Following are some of the **shortcomings or the weakness of the trade union movement in India:**

Student Notes:

- **Lack of Balanced Growth:** Trade unions are often associated with big industrial houses. A vast majority of the working population is without any union backing. The entire agricultural sector is highly unorganized in India. The agricultural workers are subject to all kinds of exploitation. The same is true with respect to those working in small scale and cottage industries. Lack of balanced growth of trade unions in all sectors is one of the major weakness of the trade union movement in India.
- **Low Membership and Poor financial Position:** Many employees are not willing to join unions because of fear of pay cut and fear of punishment. Trade Unions may also have to depend on contributions from philanthropists. The poor financial position can only weaken the trade union movement.
- **Political Control:** Most popular trade unions in India are affiliated to certain political parties. These political parties are only keen on making every grievance of the working class a political issue to attain political gains. As a result the problem only gets wide publicity and remains unsolved.
- **Multiplicity of Unions:** Often there exists more than one union within the same industry each backed by a political party. These various unions have conflicting ideology. If one union comes out with a strike proposal another union may work against it. As a result, none of the unions is actually able to solve the problems of the workers.
- **Inter-Union Rivalry:** The existence of many unions within a particular industry paves way for what is called inter-union rivalry. These unions do not work together for the cause of the workers. Each union may adopt a different approach to the problem. The inter-union rivalry may become a more serious problem of the workers. As a result, the employees are unable to derive the benefits of collective bargaining.
- **Lack of Recognition and Opposition from Employers:** Due to the above reasons, most of the managements are not prepared to recognize trade unions. Most employers do not let their employees from a union. The employers are able to achieve this by adopting certain punitive measures like intimidating employees victimizing union leaders, initiating disciplinary action against employees indulging in union activities and so on. Some employers also start rival unions with the support of certain employees.
- **Lack of able leaders and Indifferent Attitude of the Members:** Trade unions face the issue of lack of able leaders. Some members do not even make a prompt payment of the subscription amount. There are on the other hand, members who do not attend the general body meetings nor do they bother to know what is discussed in such meetings. Members generally expect the office-bearers to do all that is necessary to achieve the demands.

8. Previous Year UPSC GS Mains Questions

1. **UPSC 2013:** The legitimacy and accountability of Self Help Groups (SHGs) and their patrons, the micro-finance outfits, need systematic assessment and scrutiny for the sustained success of the concept. Discuss.
2. **UPSC 2014:** The penetration of self-help groups (SHGs) in rural areas in promoting participation in development programmes is facing sociocultural hurdles. Examine.
3. **UPSC 2015:** Examine critically the recent changes in the rule governing foreign funding of NGOs under the Foreign Contribution (Regulation) Act (FCRA), 1976.
4. **UPSC 2015:** The Self Help Group (SHG) Bank Linkage Program (SBLP), which is India's own innovation, has proved to be one of the most effective poverty alleviation and women empowerment programme. Elucidate.
5. **UPSC 2015:** How can be the role of NGOs be strengthened in India for development works relating to protection of the Environment? Discuss throwing light on the major constraints.

6. **UPSC 2016:** "In the Indian governance system, the role of non-state actors has been only marginal." Critically examine this statement.
7. **UPSC 2017:** "The emergence of the Self-Help Groups (SHGs) in contemporary times points to the slow but steady withdrawal of the State from developmental activities." Examine the role of the SHGs in developmental activities and the measures taken by the Government of India to promote the SHGs.
8. **UPSC 2019:** What are the methods used by the farmers' organisations to influence the policymakers in India and how effective are these methods?

9. Previous Year Vision IAS GS Mains Test Series Questions

1. *Self-help group (SHG) bank linkage program portrays it as an effective tool being used in various countries to approach a range of socioeconomic issues. Explore the possible performance and sustainability of this type of program in India?*

Approach:

- Describe the Self-help group (SHG) bank linkage program in introduction.
- Performance should cover positive outcomes and challenges faced.
- Exploring the sustainability require suggestions for strengthening the program.

Answer:

A sizeable share of population in India continues to remain outside the formal banking system despite considerable expansion in branch network. Alternative models are being experimented with to meet the objective of financial inclusion. The SHG-Bank linkage model is the indigenous model of micro-credit evolved in India and has been widely acclaimed as a successful model.

SHGs are small, economically homogeneous affinity groups of rural poor (10-20) members each, voluntarily formed to save and mutually contribute to a common fund to be lent to its members as per the group members' decision. SHGs can, therefore be called member - run mini - banks. The SHG - Bank Linkage Programme (SBLP) was an outcome of pilot projects during the 1980s for improving access of India's rural poor to formal institutional financial services. For banks, it was a way of reducing their transaction costs by dealing with groups of people rather than individuals and reducing their risks through 'peer pressure' and making people save.

Positive Outcomes of the SHG - Bank Linkage Programme

- Financial Inclusion and thus the empowerment of Poor Women
- Loan Repayments - very high on-time recovery
- Reduced the incidence of poverty through increase in income, and also enabled the poor to build assets and thereby reduce their vulnerability.
- Enabled households that have access to it to spend more on education than non-client households
- Reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health - especially among women and children.
- Contributed to a reduced dependency on informal money lenders and other non-institutional sources.
- It has offered space for different stakeholders to innovate, learn and replicate. As a result, some NGOs have added micro-insurance products to their portfolios, a couple of SHG federations have experimented with undertaking livelihood activities and grain banks have been successfully built into the SHG model in the Eastern Region.

Challenges Faced

- Wide regional disparity both in terms of the spread of SHGs linked to banks and cumulative bank loans disbursed under the programme. While the Southern Region accounted for 48.2 per cent of the total SHGs, the share of North- Eastern Region was just 3.4 per cent. In terms of share in the total bank loans to SHGs, the region-wise differential gets further magnified.
- Even wider intra-regional disparity among the constituent States in SHG spread. In the Southern Region, SHGs per lakh population varied between 891 in Andhra Pradesh and 435 in Kerala. In the North-Eastern region, Assam accounted for 3.1 per cent of the total SHGs while the rest of the six States in the region had a negligible share in the total SHGs.
- There does not appear to be a one-to-one correspondence between banking outreach and spread of SHG movement. Even with similar banking network, SHG spread varies between Regions and States indicating that other local factors are equally important.
- The studies point to the coverage of the upper strata of the poor and not so much to the ultra-poor. Except the government-sponsored programmes that are mandated to focus on poor, the other efforts do not prioritise the poorest.

Suggestions for long term sustainability of SHG-Bank linkage program:-

- Encouraging SHGs in Excluded Regions
- Capacity building of Government functionaries
- Check on corruption/commission while sanctioning and upgrading the loan
- Maintenance of participatory character of SHG movement
- Identification of poor by the NABARD
- Incentive package for NGOs
- Avoid 'ever-greening' of loans
- Transparency in maintenance of records
- SHGs to evolve norms for distribution of surplus
- Identification of income/employment generating activities
- ICT technology and product innovation

2. *Difference between SHGs and Cooperative Societies.*

Approach:

- Explain that an SHG is an informal yet accountable structure that enables income-generating activities unlike a cooperative, which is more formal, mostly unwieldy and marked by an impersonal outlook.

Answer:

A co-operative society is a voluntary association of persons started with the objective of serving its members. It is primarily designed for promotion of economic interest of its members. It is a self-governing institution.

On the other hand, SHG denotes an association of small group of self-employed people for welfare of its members. It is also a voluntary association wherein groups come together for redressed of common problems. It facilitates a co-operative, participative and empowerment culture. Though both have similarities, certain differences still exist:

- A Self Help Group is an informal structure unlike a co-operative society, which is a more formal and registered organisation.
- Self Help Groups are easy to organise while co-operative societies need a more organised structure.

- Self Help Group consists of 10-20 members while co-operative society has unrestricted number of members.
- Members of Self Help Group come together for redressed of common and individual problems. In co-operative societies, individual problems remain unaddressed.
- Self Help Group has unlimited roles like micro-credit, income generation, community development, special uplifting etc. Role of co-operative societies is restricted to economic activity especially marketing.
- Self Help Group has autonomous decision-making while autonomy is restricted in co-operative societies.

3. Critically analyse the change in the nature of civil society in India due to the entry of a large number of professional and well-funded NGOs in it. Also discuss the dilemmas and the limits that this development has created for the civil society.

Approach:

- Explain the concept of civil society.
- Trace the background of civil society in India, preferably from the pre-independence period. Then explain how the nature of civil society has changed over the years due to entry of NGOs.
- Thereafter, discuss whether this has created new dilemmas. This can be done only when the nature of civil society has been clearly explained. Also discuss the limitations of the NGO sector, in light of the role that the civil society is expected to perform.

Answer:

(The answer exceeds the word limit to explain the issues clearly and holistically.)

Civil society organizations in India emerged out of the twin processes of resistance to colonialism and the development of a self-reflective attitude to traditional practices that were increasingly found unacceptable in the light of modern systems of education and liberal ideologies.

In the pre-independence period, at least seven categories of associations constituted the space of civil society, viz. social and religious reform movements, Gandhian organizations, a number of self-help organizations that grew up around trade unions, movements against social oppression particularly the anti-caste movement, associations to petition the colonial government to extend English education and employment opportunities to the educated middle classes formed by professional English speaking Indians, affiliated groups of the Congress party, social and cultural organizations committed to the project of establishing a Hindu nation.

In the post-independence era, a number of civil society organizations took root both to confront violations of democratic rights and to fill the void caused by the development deficit of the state. For instance, from the late 1970s, the struggle for gender justice, the anti-caste movement, the movement for protection of civil liberties (the People's Union for Civil Liberties; PUCL and the People's Union for Democratic Rights; PUDR), the movement for a sound environment (the Chipko movement), the struggle against mega-development projects that have displaced thousands of poor tribals and hill dwellers (the Narmada Bachao Andolan), the campaigns for the right to food, to work, to information, for shelter, for primary education and for health, mobilized in civil society.

However, since 1990's professional and well-funded NGOs that claimed to speak on behalf of different constituencies appeared on the scene. Though it is not that NGOs

are not civil society organizations, but they are different from social associations, or movements, or citizens' groups, or professional associations for they may not be membership-based organizations. A reading and a discussion club, for instance, is based on membership and at some point in time it has to be responsible to its constituency. Thus when such development agencies come into the space of civil society and proceed to act on behalf of citizens, it is not exactly clear as to whom these organizations have consulted and to which constituency they are responsible to. Moreover, even the agenda and mandate of these NGOs is not too clear at times.

Further, the entry of professional NGOs to civil society has brought a qualitatively different way of doing things –campaigns rather than social movements, lobbying government officials and the media rather than politicizing citizens, reliance on networks rather than civic activism, and a high degree of dependence on the judiciary rather than direct action. The campaigns run by them have mostly been successful only when the Supreme Court has intervened on the issue.

Though court interventions have helped campaigns to achieve their goals, the intervention of the judiciary illustrates the paradox of civil society mobilization. It is assumed that civil society groups have the capacity to address the state and to oblige it to heed their demands. However, the Indian state has proved more responsive to Court in junctions, compelling more and more groups to appeal to judicial activism. In part, the Court has adopted a proactive stance because the agenda of contemporary civil society mobilization is self-limiting and confined to the framework of the Constitution.

While NGOs that dominate civil society have tried to deepen democracy by focusing attention on issues that have been left untouched by political representatives- whether the issue be civil liberties, communalism, the right to food, the right to work, or the right to information- however, they have also created some new dilemmas. Firstly, NGOs are increasingly in the business of service delivery. Therefore, they are hardly in the business of acting as “a catalyst for social, economic, and political changes favouring the poor, marginalized, and disadvantaged”.

Secondly, whereas our parliamentary representatives have not proved democratic enough, organizations that seek to deepen democracy may not be representative of the political will at all. Most NGOs are manned by technical experts, who have their own ideas of what a problem is and what should be done about it. The political context of citizen politics has been transformed. It is simply no longer enough to concentrate on elected representatives, how they perform their tasks and how systems of representation can be made more democratic because non-governmental agents “stand in” for citizens, speak for them, engage in the politics of advocacy and often make and unmake policy, without ever having been in touch with the constituency they purport to represent. And they are not likely to do so because this is simply not their job and not their mandate. This really means that while NGOs may be in the business of democracy, they are not in the business of being representative, or accountable to citizens for their acts of omission and commission.

Moreover, there are limits to the NGO sector too. They are not in any position to summon up the kind of resources that are required to emancipate citizens from poverty and deprivation. Moreover, they can hardly implement schemes of redistributive justice that involve transferring of resources from the better off to the worse-off sections of society. And the non-governmental sector cannot establish and strengthen institutions that will implement policy.

More significantly, most NGOs concentrate on either one or a cluster of immediate issues, leaving the big issues untouched– the huge inequalities of resources in the country, for instance. Nor do these organizations touch on the source of powerlessness

and helplessness, in, say, skewed income patterns. They just do not dream the large and expansive dreams that were dreamt of by earlier generations of social activists—restructuring existing structures of power and forging new and equitable structures of social relations.

Student Notes:

4. *Involvement of civil society in the policy-making process makes a democracy more participative in nature. Examine the above statement in the context of India.*

Approach:

This question requires understanding of the role of civil society in India. You should highlight the advantages of including civil society in the policy making stage. The answer can be enriched by citing examples like RTI Act, 12th Five Year Plan etc. The answer should end with any recent developments on this and suggestion.

Answer:

In a representative democracy like ours, the representatives of the people are responsible for law making. However in this era of governance approach, there is an increased emphasis on the role of civil society in the governance process. More so there is a realization that civil society should be made a stakeholder at the law making stage itself along with its role in law implementation and post-facto analysis of the development programs. India has earlier witnessed some examples of participation of civil society in the law making process of RTI Act, Sexual harassment of women at workplace (Prevent, Prohibition and Redressal) Act etc. This can provide following benefits:

- In a diverse country like India, centralized law making can't address concerns of all sections. Participative law making process will ensure that laws address the concerns of all sections. Thus the quality of laws is improved.
- One of the major problem in India is lack of awareness about laws in the public. Participation of people in the law making will ensure that they are also aware about the law.
- Increased awareness about the law will reduce the grievances of the public about laws and it'll also ensure better implementation of the laws.
- It'll increase the accountability of the implementation agencies as the aware people will be able to hold those agencies accountable for their acts of omission and commission.
- This will ensure transparency in the administration.
- Laws in India are often jargonized and beyond the understanding of common people. Participation of people will ensure that laws are made understandable for the common man.

This would take India from a “representative democracy to a participatory, deliberative democracy.”

Further, the Cabinet Secretary-led committee has recently decided to institutionalize public participation in the pre-legislative scrutiny process of law-making in India. The decision requires every Central government department to publicise the details of a proposed legislation on the Internet and other media before being introduced in Parliament. Such a model was followed recently in Kerala in revamping the police bill where a number of suggestions have been included.

Under the decision, draft bills must be accompanied with an explanatory note outlining the essential provisions of the bill and its impact on the environment and lives of affected people. The public must then be given at least 30 days to comment. Following

publication, these comments are to be submitted to the relevant parliamentary standing committee examining the bill.

Student Notes:

5. While difference in opinions exist between the State agencies and the Voluntary Organizations, the State recognizes the need to preserve, protect and nurture an enabling environment for the development of the Voluntary sector. Explain in context of the National Policy on the Voluntary sector.

Approach:

- A brief introduction about the importance of the role played by the VOs.
- Explain the statement in question about the difference in opinions/methods between the VOs and State agencies on various issues.
- Thereafter, mention the role of promotion of VOs by the government and how this can be seen in the light of National Policy in this area
- Highlight the pro-active role of the Govt. towards the Voluntary Sector. These include:
 - Partnership in Development
 - Establishing an Enabling Environment for the Voluntary Sector
 - Encouraging Self-regulation to ensure transparent and accountable systems of governance and management of VOs.
- Conclude the answer on a positive note.
- You may give in certain examples – such as the Anti-Kundakulam protest by PMANE etc.
- Caution: Avoid bluntly putting down the objectives of the National Policy on Voluntary Sector.

Answer:

- The country faces a number of complex problems that require **adaptive, multi-sectoral solutions where sustained social mobilization** is particularly important.
- Though there exist difference of opinions and working amongst the two entities, such areas urgently require strategic collaboration between the Government and VOs. The voluntary sector serves an **effective non-political link** between the people and the Government. Both of them differ in their opinions on a number of issues ranging from environment, resource utilization, displacement of people etc.
- National Policy on the Voluntary Sector-2007 recognizes **three instruments of partnership**, viz., (i) **consultation**, through a formal process of interaction at the Centre, State and District level; (ii) **strategic collaboration** to tackle complex interventions where sustained social mobilization is critical over the long term; and (iii) **project funding** through standard schemes.

Partnership in Development

- VOs offer alternative perspectives; committed expertise; an understanding of the local opportunities and constraints; and the capacity to conduct a meaningful dialogue with communities, particularly those that are disadvantaged. The government therefore considers it essential that the Government and the Voluntary Sector work together.
- It must be based on the basic principles of **mutual trust and respect, with shared responsibility and authority**.

Establishing an Enabling Environment for the Voluntary Sector

- The government through the National Policy for VOs aims to provide a set of laws, policies, rules and regulations relating to VOs categorically safeguard their autonomy, while simultaneously ensuring their accountability.

- The independence of VOs will allow them to explore alternative paradigms of development **to challenge social, economic and political forces that may work against public interest** and to find new ways to combat poverty, deprivation and other social problems.
- It shall also enable VOs to legitimately **mobilize necessary financial resources from India and abroad** (tax exemptions, regulation through FCRA). At the same time, the Government will consider tightening administrative and penal procedures to ensure that these incentives are not misused by paper charities for private financial gain.
- The Government will encourage all relevant Central and State Government agencies will introduce time bound procedures for dealing with the VOs. These would cover registration, income tax clearances, financial assistance, etc. There would be **formal systems for registering complaints and for redressing grievances of VOs**.

Encouraging Self-regulation to ensure transparent and accountable systems of governance and management of VOs.

- The Government encourages the evolution of, and subsequently accord recognition to, an independent, national level, **self-regulatory agency** for the voluntary sector.
- The Government will encourage support organizations, and VO networks & federations to facilitate discussion and consensus building on these issues.

This Policy is a commitment to encourage, enable and empower an independent, creative and effective voluntary sector, with diversity in form and function, so that it can contribute to the social, cultural and economic advancement of the people of India.

6. *Unhealthy competition between Self Help Groups (SHGs) and Panchayati Raj Institutions (PRIs) reduces the effectiveness of both. Discuss. How can creating a synergy between the two help in addressing development challenges at the sub-district level?*

Approach:

- Briefly define the role and responsibilities of PRIs and how SHGs compete with these responsibilities.
- Discuss how such an overlap may be unhealthy for the effectiveness of both institutions.
- Finally discuss how coordination and clear demarcation can bring complementarity amongst the two. Give examples of successful PRI-SHG linkage.

Answer:

Self-help groups are micro-finance intermediaries. They are generally facilitated by NGOs, and they advise and train members in a variety of on- and off-farm income-generating activities. Financial intermediation is generally a primary objective to realize larger goals like empowering women, developing leadership abilities, increasing school enrollments, improving nutrition, etc.

As can be seen, PRIs and SHGs have overlapping aims- from poverty alleviation to enhancing participative democracy. The two institutions sometimes compete with each other for space in development administration and political processes. SHGs are then seen as undermining the constitutional roles of PRIs. Following points illustrate the points of friction:

- SHGs are becoming a conduit for routing number of development schemes.
- Alignment of interests of MFIs, NGOs, corporations and donors with that of SHGs. They have been increasingly involved with SHGs rather than PRIs in capacity building.

- Political prejudice due to social compositions of PRIs and SHGs has weakened the relationship.
- Some States have mandated inclusion of SHG members in various committees (like Mid-day meal) of the PRI. However, no attempt has been made in this regard.

However, there are number of successful examples where SHGs and PRIs working in tandem have effected a positive change in the rural society. The Indira Kranti Patham Yojana by Society for Elimination of Rural Poverty (SERP) in Andhra Pradesh is very active in improving the livelihoods of rural poor families. These SHGs work under the Panchayat system for distribution of social security, pensions, wage labour under NREGS, etc. Kudumbashree (Kerala), a women based participatory poverty eradication programme, is an SHG movement into which there has been integration of various Panchayat tiers.

The nature and mandate of both these institutions requires that they operate in coordination to utilize resource efficiently and produce better outcomes. An institutional and functional linkage with the SHGs will enhance responsiveness, accountability and transparency in PRIs.

While at the Gram Panchayat level SHGs could be implementing, monitoring and evaluating agencies, at the Block and District levels, they can act as a pressure group, provide feedback and act as watchdogs. However, it is imperative that the capability and capacity of the SHGs and the PRIs be strengthened for a symbiotic relation.

7. *Despite their location in the non-political domain of civil society, NGOs have ended up playing a key, if indirect, role in India's politics. Comment.*

Approach:

- Introduce by defining Non-Government Organisations (NGOs).
- Discuss the role played by NGOs in Indian society in short.
- Discuss the role (direct/ indirect) played by NGOs in Indian politics.
- Give appropriate examples, wherever necessary.
- Conclude on the basis of above points.

Answer:

NGO is defined as a non-profit private organization that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services or undertake community development.

Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, bring citizen concerns to governments, advocate and monitor policies and encourage political participation through provision of information.

Some NGOs also work for the empowerment of people by mobilizing them on some public issues and thus graduating from a 'welfare' approach. Such NGOs are said to influence politics, in the following ways:

Some NGOs have engaged in popular mobilization against proposed projects, like Kundalkulam nuclear project, POSCO plant, Narmada Bachao Andolan etc. Spearheading movements to provide justice for people affected by such projects has made NGOs serve as a crucial reference point for political parties and other social movements.

- Some NGOs are working directly in political sphere:
 - Instead of representing people or problems of their constituency, representative form of democracy has created caste and religion as political constituency. In such a scenario, some NGOs fill this gap.
 - Some NGOs are continuously working for electoral reform.

- Some NGOs are fighting legal battles for upholding the Constitution and law, and safeguarding the rights of the people, like People's Union for Civil Liberties.
- Many NGOs are providing public services to people at grassroots level, making them enjoy the popular support.
- Many NGOs are actively advocating policy changes for the benefit of the common good, like Greenpeace. Their advocacy affects policy decisions, and thereby they are said to play a political role.

The blurring of the boundaries between NGOs and movement groups, and between NGOs and the state, is just one of many factors that has allowed NGOs to enter gradually and often indirectly, into the domain of electoral politics.

However, many NGOs have been found to be guilty of financial irregularities and working against the national interest, which needs to be rectified. Democratic decentralization has provided an opportunity for NGOs to enter into the political domain. But in the end it's the developmental agenda of the NGOs which is the quintessential feature that aligns it with the politics.

8. *Keeping in mind the importance of NGOs in India's development process it is imperative that adequate legal and regulatory mechanisms should be in place. Discuss in the context of recent developments.*

Approach:

- Introduce with the importance of NGOs and their work.
- Mention recent cases which highlighted the issue with regard to functioning of NGOs.
- Give arguments in favour and against regulation. Mention specific examples and recommendations or rulings where possible.

Answer:

The World Bank defines NGOs as "private organizations that pursue activities to relieve suffering and promote the interests of the poor." They have played an important role in India's development process by carrying out supporting activities. NGOs provide last mile delivery of services where the State does not or cannot reach. NGOs provide feedback about efficacy of government schemes and complement in their implementation. **National policy on Voluntary Sector, 2007** recognised explicitly the role of voluntary sector in national development.

Their wide scope of activities which affect crucial public interests requires that there be a proper legal and regulatory mechanism in place. Further, to enable them to function in an atmosphere of certainty, an 'adequate' framework is necessary.

Recent developments

- In 2015, rules under Foreign Contribution Regulation Act (FCRA) were amended to regulate **foreign funding of NGOs** and the FCRA license of Greenpeace India was cancelled
- In recent years, there have been activist or overtly political NGOs which take recourse to policy advocacy, lobbying, mass mobilisation and strident campaigning to usher in change in government policies or play the role of a watchdog.
- The government had to probe the bank accounts of foreign funded NGOs over discrepancies.

Case for regulation:

Apart from the developments mentioned above, the other reasons are:

- The NGO industry has grown at a very fast pace in recent years.

- Misuse funds by floating NGOs.
- Most NGOs work with inadequately trained professionals.
- There is an increasing monopolization of their leadership.
- Many are funded by the government, and therefore should be scrutinised
- The Supreme Court too, in a recent judgement, has spoken in favour of this step.
- Less than 10% submit their accounts with the Registrar of Societies, as mandated by law.
- Foreign funded NGOs' agendas might be antithetical to national interests.

Case against regulation:

- Already many measures of regulation are in place. More measures might lead to over-regulation.
- Senior management personnel have been brought under the definition of "public servants" under the Lokpal and Lokayukta Act, 2013 and thus are required to disclose their assets and liabilities, along with those of their spouse and children.
- More regulations might hamper the functioning of well-meaning NGOs.
- It may restrict their ability to explore alternative paradigms of development to challenge social, economic and political forces.

Hence, while it is desirable and acceptable to regulate NGOs, the government should take note as to not stifle their voices with over-regulation.

9. *Self Help Groups (SHGs) are vehicles of rural development, which help in the upliftment of marginalized groups. Elucidate. Further, mention the constraints faced by SHGs and how they can be addressed.*

Approach:

- Write a brief introduction on SHGs.
- State their role in rural development and upliftment of marginalized groups.
- Mention the constraints faced by SHGs.
- Suggest remedial measures.

Answer:

Self-Help Groups (SHGs) are small voluntary associations of rural poor approximately 10-20 members each, who come together for the purpose of solving their common problems through mutual help.

Role of SHGs in rural development and upliftment of marginalized groups:

- **Promotion of enterprises:** SHGs promote entrepreneurship among poor through credit support, product development, marketing etc.
- **Access to Credit:** SHGs pool their savings and re-lend the pooled fund to the needy members at low interest rates. This protects marginalised groups such as women, tribals, minorities etc. from the clutches of informal indebtedness due to lack of institutional credit.
- **Increase in income especially of rural women:** SHGs have mobilised about 46 million women in India and have raised their income and standard of living.
- **Pressure group in Gram Panchyats:** They act as pressure groups against issues such as dowry, alcoholism etc. of which women are the primary targets.
- **Capacity Building:** SHGs play an important role in enhancing human capital through training, workshop, imparting skills etc.
- **Collective voice:** SHGs provide a platform for collective bargaining for the marginalised groups.

- **Promoting inclusion of disabled people:** SHGs of people with disabilities are engaged in a whole range of activities including health care, rehabilitation, education, microcredit and campaigning.

Some constraints faced by the SHGs include:

SHGs are inherently informal organisations. Since they constitute mostly the poor and vulnerable, they do not have much funds at their disposal for lending. In this regard, they are often supported by the government through various schemes such as by pushing banks to give them loans at reasonable interest rates. Still, they face multiple problems such as:

- **Inadequate financial assistance:** The government assists SHGs through Deen Dayal Upadhyay- National Rural Livelihood Mission (DAY-NRLM) in rural areas and DAY-NULM in urban areas. The assistance is meant to make SHGs viable till they achieve an appreciable increase in their income and come out of abject poverty. Due to constraint of resources, this funding is insufficient.
- **Difficulty in getting loans:** SHGs' capability to repay the loans is difficult to assess. Banks are usually not forthcoming in lending to them.
- **Inadequate training facilities:** Training given to members of SHGs in areas like production techniques, managerial ability, etc. are often inadequate for them to compete with big industrial units.
- **Problems related to marketing:** SHGs face issues regarding marketing of their products such as lack of sufficient orders, absence of a viable brand name etc.
- **Internal discrepancies:** Several studies have noted issues related to governance, transparency, accountability, irregularity etc. in the functioning of SHGs.
- **Low level of literacy and lack of skilling of members:** A large number of SHG members especially women have low levels of literacy and have not undergone skill training.

Measures to address the constraints include:

- SHG-Bank Linkage Programme is an initiative of NABARD to link the unorganised sector with the formal banking sector.
- Formation of SHGs should be encouraged in excluded regions such as North-East India, North India etc. by improving banking network and involving more NGOs.
- An integrated approach is required for meeting the credit needs of SHGs in terms of backward linkages with technology and forward linkages with processing and marketing organizations.
- A separate SHG Monitoring Cell should be established in every State to collect both quantitative and qualitative information.
- Regular training and capacity building sessions should be conducted for SHGs.

SHGs such as Self Employed Women's Association (SEWA), Kudumbashree etc. prove that SHGs are a tool of effective social mobilization. Their concerns need to be addressed so that they can serve as engines of empowerment and growth in India.

10. ***Explain, with examples, how the self-help groups (SHGs) have been playing a significant role in the empowerment of women in India. Also, mention the initiatives that have been undertaken by the government for promoting SHGs.***

Approach:

- Define SHGs and highlight with examples, their role in women empowerment in India.
- Mention the government initiatives at both Centre and state levels for promotion of SHGs.

Answer:**Student Notes:**

SHGs are voluntary associations of self-governed, peer controlled, informal group of people with similar socio-economic background having a desire to collectively perform common purposes. They have played a key role in women empowerment in India, especially rural India as:

- SHGs have mobilized around 46 million rural poor women in India and provided **financial intermediation solutions** for unbanked rural women.
- SHGs provide a **platform** for **collective bargaining** for women rights and accessing loans.
- SHGs provide women with **knowledge, finance, power** and **opportunity- all necessary for women empowerment**. For e.g. SEWA (Self Employed Women's Association), 1972 by Ela Bhatt.
- They inspire women to become **vocal members** of their community. According to the Livelihood Improvement Project in the Himalayas, members of women's SHGs were elected heads of 170 local governments out of the 669 in the region.
- SHGs also educate women regarding **maternal, newborn and child healthcare**. According to a study in Uttar Pradesh and Bihar, there was a 24 percent increase in kangaroo care and 14 percent rise in exclusive breastfeeding among SHG members.
- SHGs also promote **community development** through distribution of funds, resources and technical assistance.
- SHGs are **transforming** bleak villages suffering from malnutrition and poverty into thriving communities. For instance, an SHG supported by Professional Assistance for Development Action (**PRADAN**) and the Ford Foundation has transformed Teliya village in rural Jharkhand.

The government has promoted SHGs through a **3-tiered architecture** of community institutions at group, village and cluster levels through both Central schemes such as **Deendayal Antyodaya Yojana-National Rural Livelihoods Mission** and State government initiatives such as **Kudumbashree** in Kerala and **Jeevika** in Bihar as well as promoting SHGs through dedicated autonomous organisations i.e. State Rural Livelihoods Missions or SRLMs. Other initiatives include:

- Ministry of Rural Development is supporting the organisation of exhibitions by SHGs under the brand name **SARAS**.
- NABARD provides grant support for promoting SHGs and grant assistance for training and capacity building of SHGs. A scheme for promotion of Women Self Help Groups is being implemented by NABARD across 150 backward and Left Wing Extremism (LWE) affected districts of the country.
- E-Shakti is a pilot project of NABARD for digitization of Self Help Groups (SHGs).
- The government has included SHGs as a priority sector to mandate and enhance banks focus on them.

Examples such as Café Kudumbashree (a chain of women-owned and operated canteens in Kerala) prove that SHGs as a tool of social mobilization are promoting women empowerment, further serving as an engine of growth in India.

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