India’s NGOs at a New Funding Crossroads

Mains: *GSII – Governance*

Why in News?

The FCRA Amendment Bill, 2026 has raised concerns over tighter regulation of foreign funding for NGOs, amid a shift towards domestic philanthropy and changing foreign-aid patterns.

What is the background?

> *The **NGO** (Non-Governmental Organization) is a non-profit, voluntary group of citizens that operates independently of any government control.*

- **Foreign Contribution Regulation Act (FCRA), 1976** – It was enacted amid concerns over foreign influence on India’s political and social environment.
  - It regulates the receipt and utilisation of foreign contributions by NGOs and other associations.
- **Proposed FCRA Amendments 2026 –**
  - If an NGO’s FCRA registration is cancelled, surrendered or lapses, its foreign-funded assets may be placed under a government-designated authority.
    - Permanent transfer may occur if registration is not restored within the prescribed period.
  - If a fresh certificate is not obtained within the prescribed period.
    - The assets could be sold or transferred to a government department, with the proceeds going to Consolidated Fund of India.
  - During the provisional-vesting period, restoration of registration results in the return of assets and unused foreign contribution.
- The Bill also provides for revision and an appeal to the District Judge.

> *Since 2015, registrations of 22,496 NGOs have been cancelled, leaving **around 14,466 active associations** eligible for foreign contributions as of September 2026.*

- **Importance of Foreign Funding**
  - **Alternative Source of Finance** – Supplements government funding where resources are inadequate.

    - **Flexible and Need-Based Support** – Foreign grants are often relatively flexible and tailored to NGO-specific needs.
    - **Innovation and Capacity Building** – Supports new ideas, technologies in the voluntary sector.
    - **Social Development** – Contributes to health, education, social welfare and community development.
- **Concerns with foreign funding –**
    - **Politically Charged Campaigns** – External influence in sensitive issues.
    - **Selective Local Advocacy** – Donor-driven selective issue focus.
    - **Proselytization** – Alleged welfare-linked religious conversion.
    - **Conversion Networks** – Alleged funding of conversion networks.

What are the Concerns over the Proposed FCRA Changes?

- **Impact on Civil Society** – Excessive restrictions could weaken an independent and vibrant civil society, that effect democratic participation and social accountability.
- **Impact on Service Delivery** – Many charitable organisations operate schools, hospitals, old-age homes and welfare institutions.
    - Restrictions on their funding could indirectly affect vulnerable communities dependent on these services.
- **Concerns over Asset Vesting** – Vesting foreign-funded assets in a government-designated authority has raised questions regarding property rights, proportionality and procedural safeguards.
- **Concerns over Religious Neutrality –** Minority organisations fear that the framework could affect religiously linked charitable activities.

What are the Emerging Trends in NGO Financing?

- **Need for Funding Diversity –** Dependence on a single source can influence NGO priorities and autonomy.
    - A mix of Government + Domestic Philanthropy + CSR + Foreign Funding + Community giving ensures financial resilience.
- **Changing Foreign Funding** – Economic pressures and India's growing economy are reducing the role of some foreign donors.
    - India's maturing voluntary sector can increasingly mobilise domestic resources.
- **Rise of Domestic Philanthropy** – Private philanthropy projected at ₹1.43 lakh crore in FY2025, with retail giving around ₹37,000 crore annually.
- **Changing Philanthropic Priorities –** New philanthropists increasingly favour scientific research, higher education, technology and institution-building.
    - Traditional NGO sectors such as basic education, healthcare and rural development may face funding gaps.
- **Role of CSR –** The Companies Act, 2013 mandated CSR spending by eligible companies.
    - CSR spending by listed companies reached around ₹22,563 crore in FY2025, providing an important funding avenue for NGOs.

What is the Way Forward?

- **Ensure Proportionate FCRA Regulation** – Foreign contributions should be subject to strong transparency and accountability requirements.
    - While the regulation should remain proportionate to the actual risk.
- **Strengthen Due Process** – Cancellation, asset vesting and other punitive measures should have clear procedures, independent review mechanisms and avenues of appeal.
- **Promote Funding Diversity –** NGOs should diversify their financial base through:
    - Domestic philanthropy
    - CSR
    - Community contributions
    - Social enterprises
    - Foreign contributions where legally permissible
- **Improve Domestic Philanthropy** – Indian philanthropists should expand support for healthcare, education, rural development alongside emerging areas.
- **Learn from Effective Foreign Donor Practices** – Domestic donors can adopt useful practices associated with effective foreign philanthropy, such as:
    - Flexible funding
    - Multi-year grants
    - Institutional capacity building
    - Outcome-based evaluation
    - Greater autonomy for implementing organisations
- **Improve Transparency –** NGOs should maintain high standards of accountability to strengthen public trust and reduce concerns regarding misuse of funds.

What lies ahead?

- India is entering a new phase in which the future of civil society cannot depend exclusively on foreign funding.
- The restrictions on foreign contributions should not unintentionally weaken legitimate civil society organisations or disrupt essential social services.
- The objective should be to establish a transparent, accountable where regulation protects national interests while preserving autonomy of civil society.

Reference

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