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A Survey on Non-Profit Institutions in India – Some Findings

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# **A Survey on Non Profit Institutions in India - Some Findings**

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## **Abstract**

The Non-Profit Institutions (NPIs) sector is one of the largest institutional sectors in India, a finding based on number of such institutions registered with the government agencies. However, it has so far not been possible to assess its contribution to the GDP due to lack of availability of separate data on their economic activities, though the same is included in the GDP of the respective institutional sectors to which these NPIs are serving. The contribution of NPIs serving households (NPISHs) is included in the 'household sector'.

Keeping in view the necessity to have separate accounts for the NPI sector in the national accounts statistics, the Central Statistical Organisation (CSO) has launched a survey on NPIs. The results of the survey would eventually enable the CSO to implement the UN Handbook on Nonprofit Institutions (NPIs) in the System of National Accounts, and institute a mechanism to separately publish accounts of NPIs in the national accounts.

The CSO's survey, which was launched in April, 2008, was planned to be conducted in two phases with the collaboration of State Governments. In the first phase, the manual records on NPIs available with their registering authorities in different States of the country were to be computerized so that the frame of the registered NPIs in the country is available at one place. In the second phase, all the listed NPIs were to be visited by investigators to physically verify their existence and simultaneously collect employment and financial data from the functioning NPIs.

As of now, the first phase of the survey is more or less complete. From the results available from this phase, there are about 3.3 million NPIs registered in India, with the largest number of them being concentrated in the rural areas. Also, a maximum number of NPIs are involved in the community, social and personal services, cultural services, education and health services.

This paper presents the important results and findings available from the first phase of the CSO's survey on NPIs in India.

## **1. Introduction**

1.1 The non-profit sector covers legal or social entities which serve institutional sectors namely, households, corporations and general government. This sector is often referred to as the "third sector" with government and its agencies of public administration being the first, and the corporate world being the second.

1.2 The non-profit bodies have been very important institutions of the Indian society not only in the recent past but its impact and contribution were visible even in the ancient Indian history and culture. Many religious and charitable institutions such as the *Ashrams, Maths, Waqfs, Khanqahs, Gurudwaras, Deras*, Christian Missionaries, *Brahmo Samaj, Arya Samaj, Ramakrishana Mission*, etc., have been serving the societies from time immemorial.

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1.3 The non-profit sector has gained prominence in recent years – in the fields of social welfare provision, primary and higher education, health services, community development, peace and harmony, international relations, the environment, or arts and culture. The nonprofit sector is now a major economic and social force at local, national and international levels.

1.4 As the non-profit institutions (NPIs) constitute a significant and growing economic force in almost all countries, the Centre for Civil Society Studies in Johns Hopkins University and the Economic Statistics Branch of the United Nations Statistics Division have taken an initiative and developed the “Handbook on Non-Profit Institutions in the System of National Accounts”. They have adopted a structural – operational definition of NPIs and suggested to prepare Satellite Accounts of the NPIs treating NPIs as a separate Economic Sector. The objective is to build a comprehensive database on the sector and to help policy makers to intervene with suitable corrective steps/directions if required.

## **2. Definition of NPIs in the 1993 SNA**

2.1 The 1993 SNA distinguishes two broad types of economic entities: establishments, which are enterprises, or parts of enterprises, that perform a single production activity, generally at a single site; and institutional units, which are “capable, in their own right, of owning goods and assets, incurring liabilities, and engaging in economic activities and transactions with other units.” Institutional units may have one or a number of establishments.

2.2 As per the 1993 SNA, “Non-profit institutions are legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control or finance them. In practice their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units.” That basis for defining NPIs, which focuses on the common characteristic that they do not distribute their profits, is a central feature of most definitions of “the non-profit sector” in law and social science literature.

2.3 The 1993 SNA also distinguishes NPIs in terms of the kinds of services that they produce. The 1993 SNA notes that the reasons for establishing NPIs are varied. For example, “NPIs may be created to provide services for the benefits of the persons or corporations who control or finance them; or they may be created for charitable, philanthropic or welfare reasons to provide goods or services to other persons in need; or they may be intended to provide health or education services for a fee, but not for profit,...etc.” While acknowledging that “they may provide services to groups of persons or institutional units,” the 1993 SNA definition of NPIs stipulates that “by convention” NPIs “are deemed to produce only individual services and not collective services”. They are different from other institutional units namely General Government, Corporations and Households. The SNA does not group them into a single economic sector. Moreover, it does not seek to develop a comprehensive picture of NPIs but rather focuses on allocating NPIs to other sectors - Financial corporations, non financial corporations, general government, households and Non-Profit Institutions Serving Households (NPISHs) - based on certain characteristics that NPIs share with other assigned units of those sectors.

2.4 Although sector assignment makes sense for many analytical purposes, it makes it difficult to gain a comprehensive view of the entire universe of NPIs and their functioning and contribution to the overall economy. Gaining such a view is increasingly important, the main reason being that the NPIs have distinct features that give them production functions and other characteristics that differ significantly from those of the other entities included in the corporate and government sectors to which they are assigned under current usage. Those features include:

- (i) The prohibition on the distribution of profits from their operations, which gives them an objective function quite different from that of for-profit corporations;
- (ii) Their involvement in the production of public goods in addition to whatever private goods they may produce;
- (iii) A revenue structure that generally includes substantial voluntary contributions of time and money;
- (iv) The use of volunteer as well as paid staff;
- (v) Limited access to equity capital because of the prohibition on their distribution of profits;
- (vi) Eligibility for special tax advantages in many countries.
- (vii) Special legal provisions pertaining to governance, reporting requirements, political participation and related matters;
- (viii) The lack of sovereign governmental powers despite their involvement in public goods provision.

### **3. Past studies/surveys in India**

3.1 Some of the past Studies/surveys on NPIs in India are that of Reserve Bank of India (RBI), which is the Central Bank, which has conducted a sample survey on Private NPIs such as trusts, charitable institutions, and welfare associations etc. as far back as in September 1988 with 1986-87 as a reference period. But the response was weak. The Central Statistical Organisation (CSO) conducted 4<sup>th</sup> and 5<sup>th</sup> Economic Census in 1998 and 2005 respectively. In these Censuses, both the NPISHs and NPIs serving commercial/business houses were categorised together as one category. Besides these, an attempt was made by the National Sample Survey Organisation (NSSO) to identify NPIs through the survey on Non-Agricultural Service Sector Enterprises conducted in its 57<sup>th</sup> round (July 2001-June 2002). This survey, however, excluded all enterprises involved in Trade and Finance. It is observed from the provisional results of this survey that private NPIs are mostly engaged in the activities (i) hotels and restaurants, (ii) education, (iii) health and social work, and (iv) other community social & personal service activities.

### **4. Need for Survey on Non Profit Institutions in India**

4.1 The Non-Profit Institutions (NPIs) sector is one of the largest institutional sectors in India, a finding based on number of such institutions registered with the government agencies. However, it has so far not been possible to assess its contribution to the GDP due to lack of availability of separate data on their economic activities, though the same is included in the GDP of the respective institutional sectors to which these NPIs are serving. The contribution of NPISHs is included in the 'household sector'.

4.2 While compiling the National Accounts Statistics in India, all the institutional units in the economy are grouped together into three institutional sectors (i) Public Sector (ii) Private corporate sector and (iii) Household sector. It has not been possible to present

the accounts of Non Profit Institutions (NPIs) explicitly as a separate sector. The NPI's controlled and financed by the Government are included in Public Sector. The NPIs controlled and financed by the business are included in Private Corporate Sector. The NPIs involved in non-market production and serving the households are treated as NPISHs and are included in Household Sector. Due to lack of adequate data, independent estimates of value added, capital formation and saving are not compiled for any of these categories of NPIs. The private final consumption expenditure is derived in an indirect method for the entire Household Sector including NPISHs (through commodity flow method).

4.3 Keeping in view the necessity to have separate accounts for the NPI sector in the national accounts statistics, the CSO has launched a survey on NPIs. The results of the survey would eventually enable the CSO to implement the UN Handbook on Nonprofit Institutions (NPIs) in the System of National Accounts, as also provide separate accounts for the NPISH sector.

## **5. Present Survey on Non Profit Institutions in India by the CSO**

5.1 In India, NPIs are found to be registered under various Acts/ authorities. The major Acts of registration are: Societies' Act, 1860; Indian Trust Act, 1882; Public Trust Act, Section 25 of Companies Act, 1956; Religious Endowment Act, 1863; The Charitable and Religious Trust Act, 1920; Wakf Act, 1954; Mussalman Wakf Act, 1923; Public Wakfs (Extension of Limitation Act) Act, 1959; Foreign Contribution (regulation) Act, 1976, Factories Act, 1948, other than 2m(i) and 2m(ii); Cooperative Societies Act; Cinematograph act; Medical practitioners act; Entities registered with Directorate of Education/AICTE/NCTE, Bar Council, etc.

5.2 Although there are number of Acts under which non-profit institutions are registered in India, the CSO's survey covers only the societies registered under the Societies Registration Act 1860 or Mumbai Public Trust Act or its state variants. It is primarily for the reason that about 90% of the NPIs are registered under this Act. The survey is proposed to cover all States and UTs of India. The survey, launched in April, 2008, has been planned to be conducted in two phases with the collaboration of State Governments. In the first phase, the manual records on NPIs available with their registering authorities in all States/UTs of the country are to be computerized so that the frame of the registered NPIs in the country is available at one place. In the second phase, all the listed NPIs are to be visited by investigators to physically verify their existence and simultaneously collect employment and financial data from the functioning NPIs. The key variables proposed to be collected in the second phase of the NPI survey are:

- Core monetary variables (such as market output, non-market output, output for own use, CE, imputed value of the volunteer employment, intermediate consumption, CFC, taxes on production, other property incomes, other current and capital transfers, final consumption expenditures , financial assets and liabilities etc)
- Structural variables (like entities, number, paid employment, voluntary employment, members, memberships etc.)
- Output and Capacity variables,
- Clients and users variables,
- Impact and performance variables

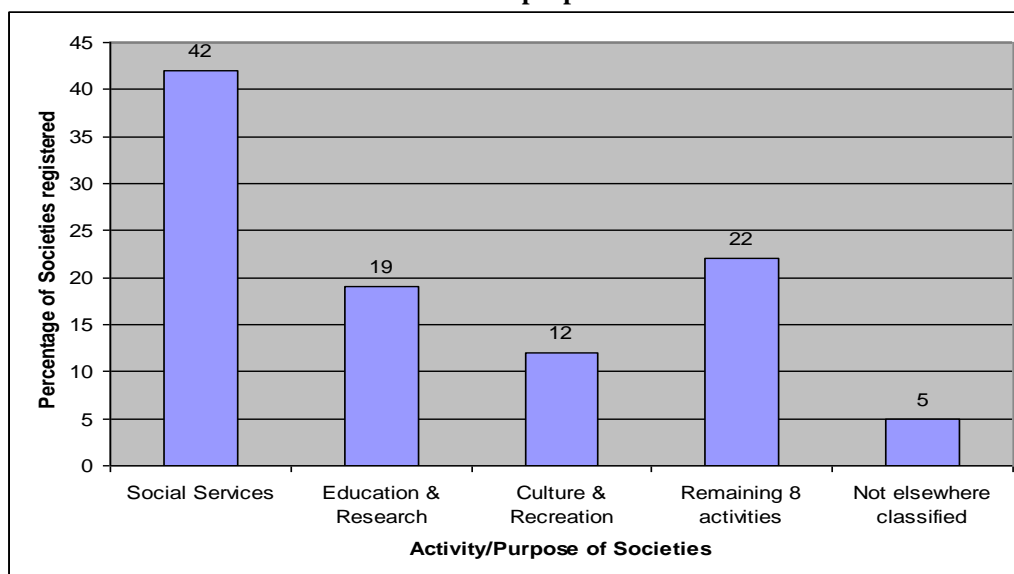
## 6. Preliminary findings of the present Survey

6.1 As of now, the first phase of the survey is more or less complete. The results available from this phase indicate that there are about 3.3 million NPIs registered in India, with the largest number of them being concentrated in the rural areas.

6.2 This paper presents important results and findings based on data of about 2.9 million societies available from the first phase of the CSO's survey on NPIs in India. It is observed that of the total number of societies, about 59% societies are located in rural areas and only 41% societies are located in urban areas.

6.3 Out of the total registered societies, 42% are under Social Services activities, 19% under Education & Research, 12% under Culture & Recreation, 7% under Unions, 5% under Development & Housing, 5% under Religion, 2% under Health, with the balance under Environment (1%) and Philanthropic intermediaries and voluntarism promotion (1%), Law, Advocacy & Politics (0.20%), International activities (0.10%) and others, as shown below.

**Figure 1: Percentage Distribution of Societies registered under various activities/purposes**



*Remaining 8 activities include Business & professional associations, unions (7%), Development & Housing (5%), Religion (5%), Health (2%), Environment (1%), Philanthropic intermediaries & voluntarism promotion (1%), Law, Advocacy & Politics (0.20%) and International activities (0.10%).*

6.4 The percentage distribution of societies registered under various activities/purposes by location (rural/urban) given in Table 1 shows that of all the societies registered in rural areas, nearly 44% of the societies are registered in Social Services, followed by 16% in Education & Research, and 12% in Culture & Recreation. Similarly, of all the societies registered in urban areas, nearly 39% of the societies are registered in Social Services, followed by 24% in Education & Research, and 11% in Culture & Recreation. Therefore the overall trend of society registration is more or less same for the entire country as well as separately for rural and urban areas. Only 21% and 22% of societies are registered in remaining activities, in rural and urban areas, respectively.

**Table 1: Percentage Distribution of Societies registered under various activities/purposes by location (Rural/Urban)**

Activity Code	Activity/Purpose	Percentage of Societies		
		Rural	Urban	Total
1	Culture & Recreation	12.24	10.75	11.63
2	Education & Research	16.33	23.83	19.38
3	Health	1.69	2.31	1.94
4	Social Services	44.39	39.30	42.32
5	Environment	1.06	0.65	0.89
6	Development & Housing	5.15	5.22	5.18
7	Law, Advocacy & Politics	0.14	0.28	0.20
8	Philanthropic intermediaries and voluntarism promotion	0.57	0.72	0.63
9	International activities	0.07	0.15	0.10
10	Religion	5.11	5.28	5.18
11	Business and professional associations, unions	6.97	7.76	7.29
12	Not elsewhere classified	6.28	3.74	5.25
	Total	100.00	100.00	100.00

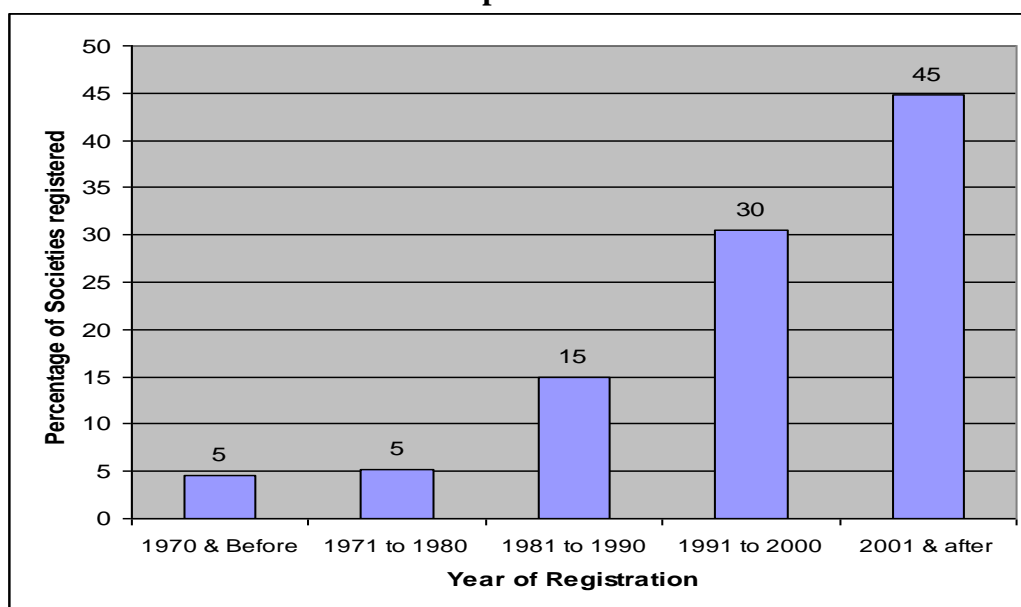
6.5 Table 2 gives percentage distribution of societies registered in rural/urban areas by activities/purposes. In general, there are more registrations in rural areas under almost all activities except Law, Advocacy & Politics and International activities, for which total registrations are less than 1%. In Environment activity, 70% societies are registered in the rural areas followed by 62% in Culture & Recreation, 62% in Social Services, 59% in Development & Housing, 58% in Religion and 56% in Business & professional associations, unions.

**Table 2: Percentage Distribution of Societies registered in Rural/Urban areas by activities/purposes**

Activity Code	Activity	No. of NPIs		
		Rural	Urban	Total
1	Culture & Recreation	62.42	37.58	100.00
2	Education & Research	50.00	50.00	100.00
3	Health	51.70	48.30	100.00
4	Social Services	62.23	37.77	100.00
5	Environment	70.36	29.64	100.00
6	Development & Housing	58.99	41.01	100.00
7	Law, Advocacy & Politics	42.31	57.69	100.00
8	Philanthropic intermediaries and voluntarism promotion	53.63	46.37	100.00
9	International activities	39.30	60.70	100.00
10	Religion	58.51	41.49	100.00
11	Business and professional associations, unions	56.75	43.25	100.00
12	Not elsewhere classified	70.98	29.02	100.00
	Total	59.33	40.67	100.00

6.6 From the first phase results, it is observed that an increasing number of societies are being registered every year. There were only 10% registrations till the year 1980, followed by 15% registrations in the period 1981 to 1990, 30% registrations in the period 1991 to 2000, and as many as 45% of total societies were registered after 2000. This is depicted pictorially in figure 2 below.

**Figure 2: Percentage Distribution of Societies registered in different periods of time**



6.7 The percentage distributions of societies registered under various activities/purposes by year of registration of societies is given in Table 3. It can be seen from this table that in the period before 1970, most societies were registered under the Religion activity (39%), followed by Social Services (28%) and Education & Research (14%). This trend changed after 1971 when the top-most activity, Religion, was replaced by Social Services which is being continued till date. Religion became the 5<sup>th</sup> most important activity having only about 7% and 5% registrations in the periods 1971-1980 and 1981 to 1990, respectively. Post 1990, Religion activity was replaced by Development and Housing as the 5<sup>th</sup> important activity and Religion became the 6<sup>th</sup> important activity, which is being continued till date. Most registrations in the period in 1991-2000 and 2000 onwards have been in Social services (more than 40%), followed by Education & Research (18-22%) and Culture & Recreation (about 8-12%); where as the registrations in the periods 1971 to 1980 and 1981 to 1990, most registrations were in Social services (about 38-39%), followed by Culture & Recreation (19%) and Education & Research (15-16%). There have been very few registrations under Health activity, which is one of the most important social indicators, ranging from 1.16% registrations before 1970 to 2.54% registrations in recent years. The least number of registrations in all the periods has been in International activities (about 0.10-0.13%).

**Table 3: Percentage Distribution of Societies registered under various activities/purposes by year of Registration of societies**

Activity Code	Activity	Year of Registration of Societies					Total
		1970 & Before	1971 to 1980	1981 to 1990	1991 to 2000	2001 & after	
1	Culture & Recreation	9.39	18.55	18.70	12.50	8.32	11.71
2	Education & Research	13.59	15.00	16.51	18.38	22.32	19.48
3	Health	1.16	1.32	1.21	1.71	2.54	1.97
4	Social Services	27.88	38.36	39.99	41.10	44.90	41.89
5	Environment	0.72	0.20	0.24	0.71	1.36	0.91
6	Development & Housing	1.90	3.79	4.26	6.32	5.34	5.24
7	Law, Advocacy & Politics	0.15	0.35	0.20	0.21	0.18	0.20
8	Philanthropic intermediaries and voluntarism promotion	0.83	1.25	0.71	0.47	0.63	0.63
9	International activities	0.12	0.13	0.11	0.10	0.10	0.10
10	Religion	38.50	6.84	4.88	3.62	2.89	5.25
11	Business and professional associations, unions	4.11	8.32	8.07	8.53	6.53	7.35
12	Not elsewhere classified	1.63	5.88	5.11	6.35	4.89	5.27
	Total	100.00	100.00	100.00	100.00	100.00	100.00

6.8 Table 4 gives the percentage distributions of societies registered over the years by activities/purposes. It shows that amongst all activities, maximum registrations are in the recent years, except Religion. The registrations under Religion, the most important activity of earlier years, were as many as 34% prior to the year 1970, which reduced to only 7% in the period 1971 to 1980, gained importance once again after 1980 and reached to about 25% till date. The registrations under Social services, Education & Research and Culture & Recreation has been increasing over the years, reaching about 48%, 51% and 32% respectively in the recent years. An increasing number of societies are being registered under International activities as well as Law, Advocacy & Politics.

**Table 4: Percentage Distribution of Societies registered over the years by activities/purposes**

Activity Code	Activity	Year of Registration of Societies					Total
		1970 & Before	1971 to 1980	1981 to 1990	1991 to 2000	2001 & after	
1	Culture & Recreation	3.69	8.30	23.60	32.51	31.90	100.00
2	Education & Research	3.21	4.03	12.53	28.74	51.48	100.00
3	Health	2.72	3.50	9.13	26.53	58.12	100.00
4	Social Services	3.06	4.80	14.11	29.89	48.15	100.00
5	Environment	3.65	1.16	3.91	23.85	67.43	100.00
6	Development & Housing	1.67	3.79	12.02	36.73	45.78	100.00
7	Law, Advocacy & Politics	3.34	9.11	14.39	32.41	40.74	100.00
8	Philanthropic intermediaries and voluntarism promotion	6.03	10.34	16.45	22.59	44.60	100.00
9	International activities	5.40	6.60	16.10	30.07	41.83	100.00
10	Religion	33.74	6.82	13.74	20.99	24.72	100.00
11	Business and professional associations, unions	2.57	5.93	16.22	35.33	39.94	100.00
12	Not elsewhere classified	1.43	5.84	14.33	36.71	41.69	100.00
	Total	4.60	5.24	14.78	30.46	44.92	100.00

## 7. Conclusion

7.1 In order to have separate accounts for the NPI sector in the national accounts statistics, the Central Statistical Organisation (CSO) has launched a survey on NPIs in April, 2008. The survey is planned to be carried out in two phases, the 1<sup>st</sup> phase would give the list frame of all those societies which are registered under Societies Registration Act 1860 as per the administrative records, and in the 2<sup>nd</sup> phase, the listed societies would be physically visited to ascertain their existence as well as to collect data on employment and other financial parameters. As of now, the 1<sup>st</sup> phase of the survey is more or less complete and the 2<sup>nd</sup> phase has already been launched in all the States & UTs of the country. The survey, including the publication of results and accounts, is likely to be completed by the end of 2010.

7.2 From the results available from 1<sup>st</sup> phase, there are about 3.3 million NPIs registered in India. So far, a list frame of about 2.9 million societies out of about 3.3 million societies has been computerized in the CSO. On the basis of the data available from the 1<sup>st</sup> phase, it is found that the percentage of societies operating in rural areas is higher than those in urban areas. Also, a maximum number of NPIs are involved in the community, social and personal services, cultural services, education and health services. Since in most of the states there is no clause in the Act for the re-registration after a period, the estimated number of operational societies and their distribution by activity would be available only after the completion of 2<sup>nd</sup> phase of the survey. Preliminary findings show that a significant proportion of registered societies may be defunct. The contribution of these societies to paid as well as non-paid employment and national income aggregates would be assessed after the data of the second phase is collected.

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