

How Large is India's Non-Profit Sector?

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The first ever sample survey of the size of the non-profit sector in India places the number of such organisations at 1.2 million. These groups involve as many as 19.2 million people, many of whom work on a voluntary basis. This is equivalent to 2.7 million paid employees and 3.4 million full-time volunteers, a total of 6.1 million which is considerable given the fact that central government employees in 2000 numbered only 3.3 million. Contrary to popular perceptions, as much as 51 percent of the receipts are self-generated, and only 36 percent come from the government as grants and loans and a mere seven percent from foreign sources.

Introduction

Social voluntary organisations outside the confines of the market and state play an important role in the social and economic development processes of any country. Recent years have witnessed an upsurge of such voluntarily established organisations, both within and outside the formal sector. These organisations are engaged in a wide spectrum of activities cutting across economic, social, cultural and scientific domains. They are engaged in education, healthcare activities,

loan schemes for providing self-employment and micro credit plans for sustaining household enterprises. Their activities also encompass issues of larger national concern, governance, advocacy, generating awareness of various laws and regulations, and addressing the basic needs of marginalised sections of society. These institutions are known variously as voluntary organisations, community-based organisations, non-governmental organisations, self-help groups, etc. Many authors use the term NGO in a loose sense as a collective noun to cover an enormous variety of institutions of widely differing sizes, pursuing widely different activities and preaching widely divergent objectives.

The terms civil society organisation and non-profit organisation have gained currency in the Indian literature only recently, although they have been used in the writings of western scholars for a fairly long time. It becomes clear at the very outset that attempts to bring this vast array of organisations into a common fold and to provide them with common definitional boundaries will result in debates that will raise more questions than answers. In fact, the literature is already loaded with a number of essays¹ on the subject. However, any statistical exercise of the kind reported in this paper would call for an unambiguous operational definition of the term 'non-profit organisation' (NPO). Following international recommendations, the Society for Participatory Research in Asia (PRIA) defined an NPO as an entity that meets five criteria simultaneously, *viz.*, it has an institutional identity, it is separate from the government, is non-profit distributing, self-governing and has been set up voluntarily.

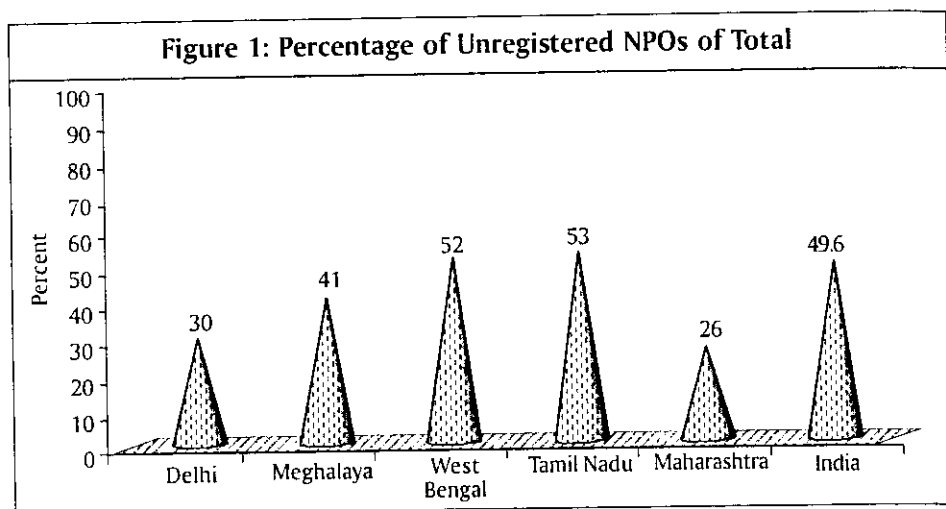
Determining the Contours of the NPO Sector

It is clear that a fairly large number of non-profit institutions operate in the country at the present stage. However, the largest chunk of the sector consists of institutions established since the late 1970s. Different segments of the sector grew from widely different concepts and widely different urges in society at the time. These institutions are engaged in almost all human endeavours, e.g., education, sanitation and health, environment, welfare activities like looking after

¹ See, for example, Siddhartha Sen, *Defining the Non-Profit Sector: India*, Working Paper No.12, Johns Hopkins University, Baltimore, 1993 and PRIA, *Defining the Sector in India: Voluntary, Civil or Non-profit*, New Delhi, 2000.

the elderly, the destitute and orphans, people's movements, civil liberty and advocacy programmes, and even research. Obviously, the sector is highly heterogeneous in terms of the philosophies practised by different segments, their areas of activity and the size of institutions. How many such institutions are there? No one knows for sure, although there are a number of guesses floating around within the country and internationally. The question is both pertinent and important. There is a great need to start the process of creating a database on important parameters relevant to the sector on a regular basis. The United Nations had appointed an expert group to go into the question of preparing satellite accounts for the sector. The group has prepared a manual for the purpose, which has now been circulated to member countries [UN 2003] for adoption. It is hoped that India will accept the UN recommendations and create an authentic database on the subject.

Attempts to scientifically study the scope and structure of civil society were initiated in western countries, more than two decades ago. Back in 1981, Ralph Kramer published a study based on data, for one area of social service, from four countries, *viz.*, the US, UK, Netherlands and Israel, which contained recommendations on a possible framework for systematically studying the sector [Kramer 1981]. Subsequently, the Institute of Policy Studies at the Johns Hopkins University (JHU) in Baltimore launched in 1988 a collaborative project for mapping the non-profit sector globally on a comparative basis. The first phase of this project, completed in 1994, collected and analysed information from the US, Japan and six European countries, which included the UK [Salamon and Anheier 1996]. The project was extended, in the second phase beginning in 1994, to 22 countries and further extended in subsequent years to cover over 40 countries in North America, Latin America, Europe, Asia, Africa and Australia. Detailed results were released, as they were becoming available. Results for the second phase of the project were also brought out separately [Salamon et al 1999]. These results unambiguously showed that by all reckoning, the sector was significantly large in terms of the number of entities, the employment it generated and the overall revenues it collected. Besides, the sector was all-pervasive, in as much as it was involved in a wide spectrum of activities and it contributed significantly to the national exchequer.



In 1998, the Johns Hopkins comparative non-profit sector project was extended to 12 additional countries in Asia and East Africa, including India. The prime objective of the exercise undertaken in India, as also in other countries, was to determine the broad contours of the sector, e.g., its size, areas of work, sources of finance and other resources, etc. The research work was undertaken in collaboration with PRIA which was truly pioneering in nature, since various parameters characterising the non-profit sector had never been estimated in India before. There was no model to go by. Secondary sources of data were exhaustively reviewed in the first instance. It was found that the official statistics system of the country did not, *de facto*, recognise the non-profit sector as a separately identifiable entity. In this background, it was decided to gather the required information through statistically designed sample surveys. The JHU framework had called for building all-India estimates for the country, with a random sample of primary units (say districts) to conduct the survey. However, in the Indian context, states are important administrative units of governance in the country. Interstate disparities in socio-economic and cultural backgrounds were known to be very wide. Therefore, any study that did not document inter-state variation could not be of much use to Indian planners or academicians. On the other hand, it was not possible for an organisation like PRIA to conduct sample surveys in all the states of the country. On balance it was decided to choose four states, one from each of the four zones of the country, from where detailed data through sample surveys would be collected.

These states were West Bengal from the eastern India, Maharashtra from the west, Delhi from the north and Tamil Nadu from the south. On further consideration, Meghalaya was added to the study as an example of a relatively small state with mountainous terrain and a significantly different religious and ethnic composition.

Having decided that states would be the units for which estimates would be built up, the next important methodological question related to fixing the sample design for sampling in each state. Here, inspiration was drawn from the generalised sample design used by the National Sample Survey Organisation (NSSO) for its socio-economic surveys. Following that pattern, a three-stage stratified sampling design was evolved and sampling in different stages was undertaken with probability proportional to size (pps), size being the number of NPOs estimated from the Fourth Economic Census 1998,² commissioned by the Central Statistical Organisation (CSO). The first stage units were districts in the state, the second stage sampling involved selection of tehsils or CD blocks in each sampled district and finally, villages in rural areas and urban frame survey (UFS) blocks³ in urban areas constituted the third stage sampling units. The NSSO has partitioned each state into a specified number of homogeneous regions. One district from each NSSO region of the state was sampled. In the state of Delhi, which had no districts or tehsils, only one stage sampling was resorted to and villages and UFS blocks were sampled directly from the state. The state estimates were prepared based on the design described. These were then aggregated, using statewide populations as weights, to arrive at the all-India estimates.

Results of PRIA Survey

On the whole, the results were revealing and in many areas where conjectures were floating around, the survey results provided quantitative support/authentication. Perhaps the most important parameter characterising the sector is its size. The

² The Economic Census is the official count of all establishments and enterprises, belonging to either the agricultural sector (excluding crop production and plantation) or non-agricultural sectors of the economy, engaged in production or distribution of goods and services not for the sole purpose of own consumption. The Economic Census is conducted periodically by the CSO.

³ The NSSO conducts a *continuing* survey called the UFS, which attempts to divide all cities and towns in the country into standard, compact and easily identifiable units called UFS blocks. UFS blocks are carved out in a manner that they contain a population of 600-800 persons (or 120-160 households). The NSSO and several other organisations use these frames for their surveys in urban areas.

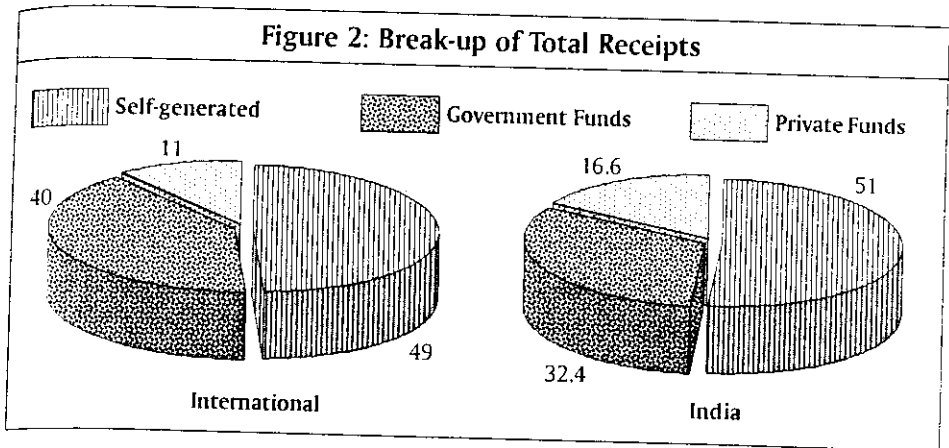
present study has estimated the total number of institutions in the sector at 1.2 million or 12 lakh. The estimated size tallied well with estimates quoted by knowledgeable scholars and international agencies, but that is only a coincidence. These authors never spelt out the basis of their estimates nor did they ever indicate or discuss the composition of the sector in terms of large and small institutions or rural-urban breakup, etc, which, in fact, are even more important variables for understanding the different dimensions of the sector. For example, PRIA surveys showed that there were more voluntary sector institutions in rural areas than in urban areas [PRIA2003]. Where 53 percent of NPOs were rural, the proportion of such organisations in urban areas was 47 percent. This pattern was prevalent in all major states of the country. The finding should be important for government policy-makers and civil society activists. Secondly, and this again comes as a contradiction to common perceptions, almost half the organisations (49.6 percent) in the sector were not formally registered, though they had an institutional character. However, the proportion of unregistered institutions to total institutions varied considerably from state to state.

Table 1: Estimated Number of Non-profit Organisations

States	Rural	Urban	Total	Percentage of Rural
Maharashtra	49,399	46,602	96,002	51.5
Meghalaya	8,407	350	8,757	96.00
Tamil Nadu	46,070	42,619	88,689	51.95
West Bengal	54,970	32,116	87,086	63.12
India	627,850	554,541	1,182,391	53.1

Table 2: Areas of Activity by Number of Institutions

	(In percent)
Religion based	26.5
Community/social services	21.5
Education	20.4
Sports and culture	18.0
Health	6.6



The survey brought out that there was a preponderance of very small institutions in the sector. Almost three-fourths of the institutions employed one or no paid worker. It was discovered that institutions backed by finances from religion-based institutions were predominant in numbers. Apparently, plenty of charity money was available with religious institutions and there was scope for channelling these funds for the upliftment of society. The NPOs involved in community/social services as also those in education followed in order of importance, with both types having an almost equal number of institutions. Interestingly, a reasonably good number of organisations were found involved in activities related to sports and culture. In fact, many of the roots of voluntary action in India can be historically attributed to associations dealing with cultural activities, e.g., traditional folklore, folk dance, religious groups such as Durga Puja Samitis in West Bengal and Ramlila Committees of north India and sports groups such as 'akharas'. However, the voluntary sector seemed to play a relatively smaller role in the delivery of health-related services. To a common person, this would come as a surprise considering the background of the seemingly large prevalence of malnutrition, high infant mortality, sizeable maternal mortality and other public health issues.

On the labour front, overall deployment of the labour force by non-profit organisations in the country seemed large enough to warrant the conclusion that the sector must be reckoned with. The total number of persons engaged in the sector was estimated by the survey at 19.4 million (approximately two crore). The bulk (85 percent) of these were volunteers working in resident welfare

associations, community societies, full-fledged hospitals, in rural areas, with deprived communities, educating children, providing healthcare, looking after the environment and even imparting science education. In other words, volunteering in the country is quite alive and active. Obviously, it is time that agencies like the Planning Commission attempt to understand volunteering and harness its potential in a befitting manner. Ofcourse, most of these volunteers worked on a part-time basis, few for merely two hours a day, some for a couple of days a week and some even longer. The regular/paid employees in the sector too were often found to be working on a part-time basis; a vast number of persons also worked on contractual assignments. At the time of analysis, various types of employment and volunteering inputs were all converted into full-time equivalents. It was found that the non-profit sector in the year 1999-2000 deployed 2.7 million full-time paid employees and 3.4 million full-time volunteers, bringing the total force engaged in the sector to 6.1 million persons. By any consideration, this magnitude is very large indeed. Consider the fact that total central government employees in the year 2000 numbered only 3.3 million and those in the central and state governments taken together were 10.7 million. That is, non-profit employment is around 82 percent of central government employment and over 25 percent of the total of both central and state government employment. Total organised employment in the construction sector was merely 1.2 million and that in mining and quarrying was around one million [GoI 2003].

The findings on the revenue front were equally illuminating and also instructive. The sector raised a whopping sum of Rs.17,922 crore (over Rs.179 billion) in the year 1999-2000. Nationwide, total receipts of the sector in that year were equivalent to 7.7 percent of total central government expenditure (plan and non-plan taken together) on the social sector in the same year. This fact demonstrates that the quantum of total receipts was quite significant. It also provides indirect evidence of the fact that the sector is quite large and vibrant. Not only was the magnitude of receipts large, but the study showed that the revenues raised by the sector have been increasing at an estimated annual rate of over 10 percent. Where do these revenues come from?

On this question, obviously there are several myths floating around. A good number of people feel that the sector exists and flourishes due to government benevolence; Others think the sector is driven by foreign funds. That both these propositions are figments of the imagination, at least on a macro basis, is amply demonstrated by the present survey results, which showed that less than 30 percent of the revenues came from grants and merely 7.4 percent of revenues were collected from foreign sources. Even if loans taken by non-profit organisations were assumed to be coming from government sources—although some would almost surely come from friends and banks—the share of the two components, grants and loans, in total receipts would still be only 36.1 percent. Another source of revenues for non-profit institutions, which, in fact, emerged as even more important than government grants and foreign funding, was the money these institutions were able to raise by themselves, i.e., self-generated funds. According to PRIA surveys, as much as 51 percent of the total receipts in the year 1999-2000 was self-generated. A considerable amount of self-generated funds came from fees and service charges, which hospitals and educational institutions registered as non-profits had levied. Sale of products and other business income also contributed to this component, although the amount involved was not very large.

However, the share of voluntary contributions made by communities at large in self-generated funds was quite impressive. This share varied from state to state and was in the range of 6 to 23 percent. The important role of self-generated funds is often not realised by policy-makers or perhaps not given due importance. Finally, donations too turned out to be quite significant in the overall volume of total receipts. Nationwide, donations accounted for 12.9 percent of the total receipts of the sector. It must be noted in this context that the bulk of donations made within the country were by individuals. Corporations, foundations or even religious organisations located within the country contributed very minimally to the social causes espoused by the sector. For example, individuals in West Bengal contributed over 84 percent of total donations received by non-profit organisations in the state from Indian sources.

Salamon *et al* (1999) have presented information on the foregoing variables as averages for 22 countries in the Americas and Europe. A comparison of data from

Salamon's study with those for India shows that while government funds are less than a third of total receipts in India, they constitute two-fifths (40 percent) of total receipts in countries of Europe and America. It would, thus, appear that governments in the western countries of Europe and America are more supportive of this sector than the government in India.

Conclusion

To sum up, the PRIA surveys put the number of non-profit organisations in the country at 1.2 million or 12 lakhs. More than half of these institutions were rural-based, nearly half of them were unregistered, and most of them (88 percent) were small in terms of their paid employees. The dominant areas in which the sector was involved, as measured by the number of organisations in each of them, were religious organisations, community/social services, education, sports, culture and health, in that order. It is observed that the number of institutions engaged in the area of healthcare delivery was rather small. Nearly 19.4 million persons were estimated to be engaged in the sector. That is about 3.4 per cent of the adult population in the country. A vast majority of these persons (over 16 million) were working as volunteers, whereas regularly paid employees numbered slightly less than three million. Thus, a volunteer workforce essentially drove the sector. If employment data are converted into their full-time equivalents, the number of paid employees and volunteers work out to 2.7 million and 3.4 million respectively, with the estimate of total workforce at 6.1 million. Civil society organisations employed more people than a number of key industries. The sector generated a sum of Rs.17,922 crore as total receipts, which showed an increasing trend. Out of total receipts, 51 percent was raised internally through the sale of goods and services. The government funded the sector only to the tune of 32.4 percent of total receipts. Government funds available to the non-profit sector in most countries of the west were much larger.

The overall conclusion emerging from the above-presented mapping exercise is that civil society organisations are diverse, which, in turn, reflects the enormous cultural, religious and ethnic diversity of Indian society itself. In other words, India does not have a uniform civil society sector. This perhaps has been the most important reason why a consistent public policy for the sector could not emerge

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