

## Is Rent Seeking A Tendency That Can Be Observed In Nonprofit And Non-Government Organizations & Institutions In India And USA?

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### **Abstract**

*This research paper looks at the functioning of nonprofit organizations and Non-governmental organizations in order to observe rent seeking practices followed, if any. It mainly concentrated on India and USA. The research takes into account published articles, research papers, media information and news and data obtained from different impartial agencies in order to identify the research objectives. On the basis of the information obtained and assessment done, it was conclusively evident that rent seeking practices were not only visible but is rampant in NPOs and NGOs. The facts are surprisingly grim and unanticipated.*

*The research results and findings have the capacity to change the positive image of NPOs and NGOs.*

**Keywords:** *Rent seeking, NPOs, NGOs, India, USA, Welfare, Society, Funds, Service*

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### **Introduction:**

Rent seeking happens in every field, sectors and is prevalent in all countries and continents without exceptions. The degree may vary but it is in vogue in different form, structure and patterns. It is malignant to society.

There are innumerable nonprofit organizations and non-governmental organizations in India, USA and in the world. Normally it is a common belief that all NPOs and NGOs are clean and unblemished in their actions while serving for the betterment of the society at large. However, a mute question arises out of curiosity on whether NPOs and NGOs are as virtuous as projected - both in their fund collections and its disbursements and expenditure.

Service to mankind is in the heart of any NPOs and NGOs. But, do they serve the humanity really without any vanity and pride? In that case, it will be interesting to explore the possibility of rent seeking tendency and propensity in NPOs and NGOs, not with skepticism but with hope that such a truth does not exist. If rent seeking exists, in what form and measure does it take shape? Why? How? Will it be logical to assume now itself without examining and search?

So, in this paper, we shall do an exploration study to answer the above irking and disturbing thoughts.

But, first we have to understand the connotation of rent seeking and nonprofit organizations to proceed and progress further so that this hypothesis can have clarity and meaning.

### **Rent Seeking**

Rent seeking as a term and subject getting more and more popular in India, USA and the world. The term was composed by Anne Krueger of USA in 1974 though it was evolved as a subject matter in the article mentioned below in 1967. Tullock, Gordon. "The Welfare Costs of Tariffs, Monopolies and Theft," *Western Economic Journal* 5 (June 1967): 224-32. One should understand that the connotation of rent seeking as nothing to do about the "Rent" used in ordinary parlance of payment of rent on a lease.

Basically it denotes the distribution of wealth to anyone who does not deserve or has right over that wealth and thereby usurping society's wealth inappropriately. It amounts to distribution of existing wealth and not creation of wealth. So, it is unwelcome, unproductive, unethical and unprofessional behavior from unscrupulous individuals, companies, institutions or organizations. It is harmful, destructive and detrimental to the economy, nation and society at large. But, it is prevailing in the universe.

Examples: Bribe, corruption, lobbying, subsidies, tariff concessions, favorable regulatory measures, reservations, quotas and many more. More so it is a common thread in all types of the governments such as democracy, communist governments, dictatorship, federal systems, monarchy or unitary of state.

### **Non-Profit Organization**

In fact, the very term explains the meaning - it is an organization that does not stand for profit as their key objective. So, it means that it is not in the business. Basically it endeavors to work for the welfare of the society at large as its vision and mission. It does not sell goods or services. In most cases, it enjoys government and political autonomy. It operates on the basis of donations, contributions, grant, endowment, funds and help received from the individuals, corporations, government agencies, philanthropies (either private or corporate) and financial institutions. Invariably such incomes received are exempt from tax in India as well as in USA and such status is given by the Income tax department in India and internal revenue service of USA (IRS). As we know, these are government agencies. However, a nonprofit organization has to wear a chastity belt while conducting its activities with responsibility, obligations and trust. The success of NPOs depends upon management, fund raising skills and efforts, operational efficiency and its end product of serving the humanity as a whole.

The following are the categories of nonprofit organizations:

- |                                    |                    |
|------------------------------------|--------------------|
| — Education                        | — Religious        |
| — Health                           | — Scientific       |
| — Charitable                       | — Literary         |
| — Civil liberties and human rights | — Arts and culture |
| — Prevention of cruelty to animals | — Sports           |

— Of late organizations have sprung up concerning environment protection

- Sustainable and renewable energy
- Global warming
- Climate change
- Earth policy
- Wild life conservation

The above list is indicative and not exhaustive.

The examples of NPOs:

- Amnesty international
- Red cross
- UNICEF
- Green peace
- Oxfam International
- World wild life fund
- National geographic society
- United nations high commission for refugees

There is lots of confusion prevailing in understanding between "Nonprofit" and not for profit". More or less the concepts are same but there are thin lines of differences and distinction exists between these terms.

#### **Nonprofit**

- a) A organization not intended to make profit
- b) Need lot of resources to run the organization
- c) Enjoys tax exemptions
- d) Provides service to the public at large
- e) Administered and controlled by trustees
- f) There are innumerable NPOs in India, USA and the world.
- g) Entity is sizable but varies
- h) Incomes over expenditure are not distributed to the trustees, members and employees.

#### **Not for profit**

- i. It is an activity
- ii. It could be an individual also - e.g. a very good artist draws a picture for his/her own pleasure or to rekindle dreams
- iii. It is a congregation of likeminded people

- iv. Resources depends upon the type of the entity
- v. Question of taxation exempt does not arise
- vi. The activity need not necessarily lead to service to the society
- vii. They are comparatively few as compared to NPOs and NGOs.
- viii. It never functions as NPO or NGO
- ix. Examples: sports club, ladies club, association of authors or association of persons

#### NGOs

- It works independent of government but may receive funds from the government
- Normally the government does not interfere with the functioning of NGOs directly or through their representatives. But, this self-governed rule is flouted with impunity in India and in the world also.
- Found largely in health, education environment, economic empowerment especially poor people, women empowerment, children rights and many more
- Works for the betterment of the society, to spread peace and global well being
- There are approximately more than 54000 listed NGOs worldwide as per the world association of non-governmental organizations (WANGO)  
([www.wango.org/ngodirectory](http://www.wango.org/ngodirectory))
- Few examples are:
  1. BRAC
  2. The Wikimedia foundation
  3. CARE international
  4. Save life foundation
  5. Give India foundation
  6. Help Age India

Now, we will focus on our objectives of the research.

#### Literature Review

"Henry B. Hansmann states that the internal revenue service is not zealous in enforcing the law of non-distribution of profits by nonprofit enterprise. Due to such limited policing it is not surprising that the managers of many nonprofit organizations succeed, to a greater or lesser extent, in evading the non-distribution constraint and in enriching themselves at the expense of the organizations and their patrons. The means used may be excessive salaries, low-interest loans from the organization, personal services and amenities paid for out of the organization's funds, excessively generous contracts for services provided to the organization by businesses owned by the managers, or the purchase or lease of real estate by the organization from its managers at inflated prices, mortgage interest, or rents. It has already been noted that such devices seem to be disturbingly common in the nursing home industry. In addition,

allegations of profiteering have been leveled at a variety of other types of nonprofits, including hospitals, private schools and workshops for the blind. Obviously such abuses, or even the potential for them, weaken the nonprofit form by undermining its effectiveness as a response to contract failure."

(B.Hansmann, 1980)

"NGOs are normally does not reach poorest of poor. Invariably beneficiaries are not so poor people. There are evidences also that NGOs are internally hierarchical, inflexible and bureaucratic like government agencies. More so they are less and less accountable to donors."

(Baccaro, 2001)

The author states that most of the donations collection by nonprofit organization goes for salaries, telemarketer fees and overhead costs. Also cases of conflict of interest arise now and then. Questionable practices arise on big payments by foundations to their trustees. In effect they do nothing for charity as such. In many cases conflict of interest arises on account of grants given by the representatives of the people (like senator) who head a nonprofit organization. A nonprofit organization invariably keeps sloppy records, follows improper accounting practices and allocates administrative costs excessively. One gray area is that fees paid to trustees, benefitting themselves or friends and high salaries to officers. So, in the end no accountability exists in most of the nonprofit organizations since state laws governing nonprofit organizations are inadequate and poorly implemented till a crime is proved beyond doubts.

(Stamler, 2003)

"In 2004, Jerry Almeida, then the fundraising director of ActionAid India, was shocked to discover an office in the garage of their Bangalore headquarters where some of the staff were penning letters in a child's scrawl. The letters were sent out to individual donors all over the world, allegedly written by the Indian children people were paying to sponsor.

The alleged transgression is not a lonely instance of unscrupulousness in India's sprawling nonprofit sector. With 3.3 million registered NGOs, India's nonprofit sector raises between \$8 billion and \$16 billion in funding every year. According to Home Ministry statistics, foreign funding to Indian NGOs saw a 56% increase in the 2005-06 and 2006-07 fiscal years. In 2008, the latest available data, the total official foreign aid to India was \$2.15 billion. But according to NGO watchdogs, almost half of that money is misused, mostly to support high administrative costs of running organizations. "NGOs who raise Indian donations are accountable to the Indian public, but foreign donors are abroad and there is no accountability. They receive a letter and they are happy that they are helping some Indian child," says Mathew Cherian, chairperson of the NGO watchdog Credibility Alliance. "There are many NGOs who won't even show you their accounts." In India, the problem is compounded by the highly unorganized nature of the NGO sector: organizations are often required to register under multiple laws without any uniform accounting policy or reporting framework but there are other uncomfortable questions that also call the credibility of a lot of Indian NGOs into question. Chief among them is businesses using NGOs for money laundering. Form accounting policy or reporting framework. It's a problem driven both at the organizational and the donor levels. Says Almeida: "Money is important for development but most people get swayed by emotional

provocation and pay money to NGOs indiscriminately. One of the key complaints against Indian nonprofits is their overspending on overheads."

(Bhowmick, 2010)

Mark J Perry, author of a article called "Many private charities and nonprofits have increasingly become rent seeking advocates for an expanding welfare state" contends that charitable deduction are given to nonprofit sector so that the charitable organizations helps to create a buffer between the citizenry and state. But unfortunately American charities - and more broadly, the entire nonprofit sector - have become a creature of big government.

He quotes that "Federal spending has exploded 36 fold to about \$3.6 trillion in 2012 from \$100 billion in 1962. Meantime the number of federal civilian employees has expanded modestly in comparison - to 2.8 million in 2011 from 2.5 million in 1962. The main reason being for such anomaly is because it subcontracts so many of its functions to ostensibly private institutions especially nonprofit sector who have become a junior partner in administering welfare state. So, no longer such organizations are independent especially tax exempt groups. The cozy relationship between nonprofits and the government should make us question the value of charitable deduction in an era of expanding the government. They have become self-defeating dependence on government group"

(J.Perry, 2013)

"On October 26, 2013, the Washington Post reported that from 2008 to 2012, more than 1,000 nonprofit organizations disclosed hundreds of millions in losses attributed to theft, fraud, embezzlement, and other unauthorized uses of funds and organizational assets. According to a study cited by the Post, nonprofits and religious organizations suffer one-sixth of all major embezzlements, second only to the financial services industry.

While the numbers are shocking, this trend will not surprise those in the nonprofit world, who have long known that nonprofits are highly susceptible to fraud and embezzlement. Nonprofits are generally established for beneficial purposes and assume that their employees, especially senior management, share the organization's philanthropic mission. As such, nonprofits tend to be more trusting of their employees and have less stringent financial controls than their for-profit counterparts. Thus, they fall prey to embezzlement and other forms of employee fraud at an alarming rate."

(William H.Devaney, 2013)

"The Delhi high court has called for toughening of licensing norms for NGOs observing that 99% of them are "fraud" and "merely money making devices".

"Most private run so called philanthropic organizations do not understand their social responsibilities. 99% of the existing NGOs are fraud and simply moneymaking devices. Only one out of every hundred NGOs serve the purpose they are set up for", a bench headed by Justice Pradeep Nandrajog said."

(V.Nair, 2013)

The author states that All India institute of medical sciences (AIIMS) clearly mentioned that AIIMS has no association with the NGOs viz Relief India trust, Mission heal and A GIGGLES

welfare organizations who are illegally collecting funds for poor patients admitted in AIIMS. They have managed to procure a NGO certificate from the government including a certificate of appreciation from PM and health minister.

(Azar khan, Investigating officer on authenticity of NGOs, 2016)

### **1. The Planned Parenthood Profit Debate**

In 2015, the Center for Medical Progress, an anti-abortion group, accused Planned Parenthood of selling aborted fetuses for profit. Members of the group secretly filmed meetings with Planned Parenthood officials discussing fetal tissue donations, sparking a nationwide controversy and legislative efforts to stop federal funding of Planned Parenthood.

### **2. The Red Cross Relief Questions**

After the 2010 earthquake in Haiti, the Red Cross raised \$488 million for relief efforts. A 2015 report from NPR and ProPublica mentioned research and internal communication among Red Cross insiders showing "the charity has broken promises, squandered donations, and made dubious claims of success." It focused on the Red Cross saying it had provided homes for more than 130,000 people, while only 6 permanent homes had been built.

### **3. The Sierra Club Funding Issue**

In 2012, news came out that the Sierra Club had received more than \$26 million from individuals or subsidiaries of Chesapeake Energy, one of the country's largest natural gas companies.

### **4. The Cancer Fund of America Fraud Case**

In 2015, the Federal Trade Commission, all 50 states and the District of Columbia filed a complaint against the Cancer Fund of America and related cancer charities for allegedly soliciting donations and claiming the money would be used to help people with cancer.

The complaint claims more than \$187 million of donor money instead went to pay the telemarketing companies soliciting the donations and the charity operators and their families over five years. The FTC called it "one of the largest actions brought to date by enforcers against charity fraud."

### **5. The Teach for America Layoff Questions**

Teach for America saw itself mentioned in the midst of a 2015 public education controversy in Newark, N.J. The Washington Post reported that city schools superintendent Cami Anderson planned to close some traditional schools, expand the city's charter schools, lay off teachers and fill some of the open spots with Teach for America corps members.

### **6. The Nature Conservancy Controversy**

In 2014, news outlets reported that the Nature Conservancy makes money off an oil well on land it controls in Texas, even after it promised about a decade earlier to not allow new drilling there

## **7. The Boy Scouts of America Lawsuit**

In 2015, 17 former Connecticut Boy Scouts filed a lawsuit against the Boy Scouts of America, saying their former scoutmaster sexually assaulted them between 1963 and 1975."

(DiGangi, 2016)

The author states that frauds are committed by nonprofit organizations own executives, employees or volunteers. She further states that as per 2016 report from association of certified fraud examiners (ACFE), the median loss from all cases in the study was \$150,000. So, it does create reputational injury and chilling effect on donations and donors. It seems that such fraud exists from little leagues to health care organizations. The type of frauds are check tampering, fraudulent billing to shell companies, reimbursement of fictitious expenses, corruption or accepting bribes, claiming of overtime hours not worked and ghost employees on payroll.

(Balley, 2017)

"What Makes Up a Healthy Mix of Income Sources for Nonprofits?

### **Fees for Services**

Even though we automatically think of donations when we think about nonprofits, in reality, much of the income for the charitable sector comes from fees for services and the sale of products.

According to the National Center for Charitable Statistics, such sources of revenue provided almost half (47.5 percent) of the total revenue for public charities in 2013. Another quarter of revenues came from government contracts for services.

A public university, for example, is in great part supported by the taxpayers in that particular state. That university also charges tuition, receives government grants for research, and sells products through its bookstore and tickets to artistic and athletic events. A hospital sells products in its gift shop and provides medical services paid for by patients, insurance companies, and the government."

(Fritz, 2017)

### **Hypothesis**

Rent seeking trend can or cannot be observed in NPOs and NGOs in India and USA.

### **Research Methodology**

Our approach will be qualitative and exploratory which is applicable and reasonable to the research since we would like to find out the behavioral tendencies of rent seeking in NPOs and NGOs. Though available data will be collected, it will not be an empirical study.

### **Data Collection and Results**

#### **Data from USA**

This Top 10 list contains some heavy hitters in the nonprofit sector. Each of these charities had total expenses greater than \$500 million in its most recent fiscal year. Their combined total expenses are approximately \$10 billion. We offer this list because we believe it is



enlightening for donors to realize just how large many of America's charities are and why we believe it is important that our country establish a federal regulatory agency to monitor and regulate charities.

<i>Rank</i>	<i>Charity</i>	<i>Total Expenses</i>
1	American Red Cross	\$2,679,603,949
2	Feeding America	\$2,423,837,553
3	City of Hope	\$1,328,047,554
4	Smithsonian Institution	\$1,220,524,063
5	Dana-Farber Cancer Institute	\$1,168,851,037
6	ALSAC - St. Jude Children's Research Hospital	\$1,095,371,997
7	World Vision	\$987,480,664
8	Americas	\$982,086,854
9	Food For The Poor	\$979,519,410
10	Catholic Relief Services	\$970,585,318

Source: <https://www.charitynavigator.org>

These 10 charities are not living up to their missions. Each spends more than 50% of its budget paying for-profit fundraising professionals to solicit your hard-earned money. They are ranked by the percentage of their total functional expenses spent on professional fundraising fees. As a result, very little of the charity's spending is directed towards its programs and services.

<i>Rank</i>	<i>Charity</i>	<i>Program Expenses</i>	<i>Professional Fundraising Fees</i>
1	Disabled Police and Sheriff's Foundation	5.8%	90.5%
2	Cancer Survivors' Fund	8.4%	87.8%
3	Firefighters Charitable Foundation	7.0%	87.6%
4	The Association for Firefighters & Paramedics	5.3%	80.2%
5	Children's Charity Fund, Inc.	6.7%	79.4%
6	California Police Youth Charities	17.1%	77.9%
7	Disabled Police Officers of America	7.8%	64.9%
8	Childhood Leukemia Foundation	23.6%	62.7%
9	National Veterans Services Fund	28.1%	60.3%
10	Kids Wish Network	22.3%	55.5%

Source: <https://www.charitynavigator.org>

Americans gave an estimated \$358.38 billion to charity in 2014, surpassing the peak last seen before the Great Recession, according to the 60th anniversary edition of Giving USA, released today. That total slightly exceeded the benchmark year of 2007, when giving hit an estimated inflation-adjusted total of \$355.17 billion.

The 2014 total jumped 7.1 percent in current dollars and 5.4 percent when inflation-adjusted over the revised estimate of \$339.94 billion that Americans donated in 2013, according to Giving USA 2015: The Annual Report on Philanthropy for the Year 2014.

In addition, 2014 marked the fifth year in a row where giving went up; the average annual increase was 5.5 percent in current dollars (3.4 percent when inflation-adjusted).

All four sources that comprise total giving—individuals (72 percent of the total); corporations (5 percent); foundations (15 percent); and bequests (8 percent)—upped their 2014 donations to America's 1-million-plus charities, says the report, which is the longest-running and most comprehensive of its kind in America. Giving USA is published by Giving USA Foundation, which was established by The Giving Institute to advance philanthropy through research and education. The report is researched and written by the Indiana University Lilly Family School of Philanthropy.

#### 2014 Charitable Giving by Source:

- Individual giving, \$258.51 billion, increased 5.7 percent in current dollars (and 4.0 percent when inflation-adjusted) over 2013.
- Foundation giving, \$53.97 billion, was 8.2 percent higher than 2013 (the increase was 6.5 percent when inflation-adjusted).
- Bequest giving, \$28.13 billion, increased 15.5 percent (13.6 percent when inflation-adjusted) over 2013.
- Corporate giving, \$17.77 billion, increased 13.7 percent (11.9 percent when inflation-adjusted) over 2013

Source: <https://givingusa.org>

#### Quick Facts about Nonprofits

For the latest figures and quick facts please also refer to The Nonprofit Sector in Brief: 2012, 2013, 2014, and 2015

#### Nonprofit Organizations

- 1,571,056 tax-exempt organizations, including:
  - - 1,097,689 public charities
    - 105,030 private foundations
    - 368,337 other types of nonprofit organizations, including chambers of commerce, fraternal organizations and civic leagues.

(Source: NCCS Business Master File 4/2016)

- In 2010, nonprofits accounted for 9.2% of all wages and salaries paid in the United States. (Source: The Nonprofit Almanac, 2012)

- Nonprofit Share of GDP was 5.3% in 2014. (Source: US Bureau of Economic Analysis)

There are an estimated 312,373 congregations in the United States in May 2016.

(Source: American Church Lists)

#### **Public Charity Finances**

- In 2013, public charities reported over \$1.74 trillion in total revenues and \$1.63 trillion in total expenses. Of the revenue:

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- o 21% came from contributions, gifts and government grants.
- o 72% came from program service revenues, which include government fees and contracts.
- o 7% came from "other" sources including dues, rental income, special event income, and gains or losses from goods sold.

(Source: NCCS Core Files 2013)

Public charities reported over \$3 trillion in total assets in 2013.

(Source: NCCS Core Files 2013)

#### **Volunteering and Charitable Giving**

##### **Charitable Giving in America: Some Facts and Figures**

- Approximately 25.3% of Americans over the age of 16 volunteered through or for an organization between September 2010 and September 2014. This proportion has remained relatively constant since 2003 after a slight increase from 27.4% to 28.8% in 2003.

(Source: Current Population Survey, September 2014)

- Charitable contributions by individuals, foundations, bequests, and corporations reached \$358.38 billion in 2014, an increase of 7.1% from the revised 2013 estimates and after adjusting for inflation. Of these charitable contributions:

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- o Religious organizations received the largest share, with 32% of total estimated contributions.
- o Educational institutions received the second largest percentage, with 15% of total estimated contributions.
- o Human service organizations accounted for 12% of total estimated contributions in 2014, the third largest share.

(Source: Giving USA 2015)

- Individuals gave \$258.51 billion in 2014, an increase of 5.7 percent from 2013.

(Source: Giving USA 2015)

### Foundation Giving

- Foundations gave \$50.9 billion in 2012, up just less than one percent from 2011.

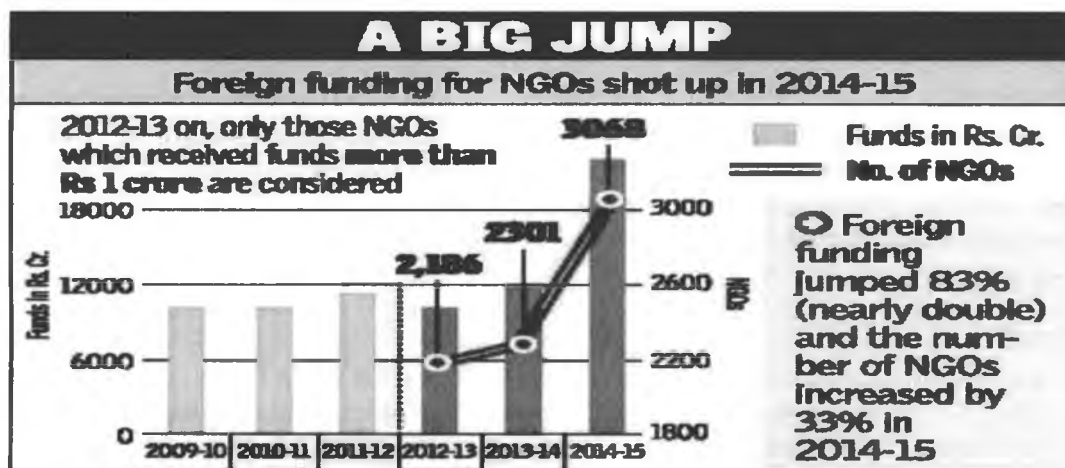
(Source: The Foundation Center, 2013)

- Of total giving in 2012:
  - 
  - 72% came from individual (living donors)
  - 4% came from corporations (excludes corporate foundations)
  - 8% came from individuals (bequest)
  - 16% came from foundations.

(Source: The Foundation Center, 2013)

Main source: [www.nccs.urban.org](http://www.nccs.urban.org) (National center for charitable statistics - non profit data at your finger tips)

Data from India



As of July 2016, 33,091 NGOs were registered under the Foreign Contribution Regulation Act, which regulates foreign funding to these bodies.

A total of 3,068 non-governmental organizations (NGOs) received foreign funding above Rs. 22,000 crore in 2014-15, according to government data presented in response to a question in Parliament.

These are NGOs who reported receiving more than Rs. 1 crore from foreign donors. This amount was 83.3 per cent (nearly double) more than the Rs. 12,000 crore received by 2,301 such NGOs during 2013-14. As much as Rs. 7,300 crore - or 33 per cent of the total - went to NGOs based in Delhi and Tamil Nadu alone.

In fact, 80 per cent of this funding went to NGOs based in seven States - Delhi, Andhra Pradesh,

Maharashtra, Kerala, Tamil Nadu, Karnataka and West Bengal.

Source: [www.thehindu.com](http://www.thehindu.com) October 18th, 2016

The first-ever exercise by the CBI to map registered NGOs has disclosed that

India has at least 31 lakh NGOs - more than doubles the number of schools in the country, 250 times the number of government hospitals, one NGO for 400 people as against one policeman for 709 people.

According to the affidavit filed by the CBI in the Supreme Court Friday, there are a total of around 31 lakh NGOs in 26 states. Karnataka, Odisha and Telangana are still to adduce information about the number of NGOs, so the total number of NGOs will be more than 31 lakh. Besides, more than 82,000 NGOs are registered in seven Union Territories. Among the states, Uttar Pradesh tops the list with more than 5.48 lakh NGOs, followed by Maharashtra which has 5.18 lakh NGOs. Kerala comes third with 3.7 lakh NGOs, followed by West Bengal with 2.34 lakh NGOs. Of the 82,250 NGOs in the Union Territories, Delhi alone has more than 76,000 NGOs.

Less than 10 per cent of the NGOs have complied with the requirement of submitting balance sheets and income-expenditure statements with the Registrar of Societies. Of around 30 lakh NGOs, 2.9 lakh have submitted financial statements.

Source: [www.indianexpress.com](http://www.indianexpress.com)

India has banned around 20000 out of 33000 NGOs since they were violating various provisions of foreign contribution regulation act (FCRA). They banned them from receiving foreign funds. It implied that they were indulging activities detrimental and prejudicial to the national interest and economic growth indulging in religious conversion, funding terrorist activities and damaging image of India in the outside world with a hidden agenda.

(PTI, 2016)

### Results

- Kindly note that limited data are available in respect of NPOs and NGOs in India as well as in USA, more so in India. Generally people may not be interested in going through the functioning of NPOs and NGOs unless it becomes a scandal.
- Most of the NPOs and NGOs in USA and India are large in size both in terms of funds and disbursements with no proper government regulations to monitor them in place.
- Many NPOs and NGOs pay much of their donations as professional fund raising fees defeating their core objectives.
- Most of the NPOs and NGOs incur lot of administrative costs and overheads which gobbles the donations and funds received
- Fraud, Misappropriations, embezzlement, forgery, money laundering takes place in Lot of NPOs and NGOs.
- They do not deliver the services for which they are basically set up.
- They do not file properly statutory returns to the government and this is possible only when they want to hide some gray matters.

## Conclusion

The multifarious facts and figures clearly indicate the broad spectrum of rent seeking activities that take place in NPOs and NGOs in India and USA. It is safe to assume that this is likely the case in other parts of the world as well.

Unfortunately, NPOs and NGOs in India and in USA has become a business and an industry in itself. Although not working for profits; raising funds and disbursement of funds have become more for and towards non-priority and administrative areas as per the above study and literature review.

A Big question arises about its vision and mission, clarity in its objectives, its core duties and moral responsibilities, its commitments and pledge to society to serve for its welfare and immunity from accountability and transparency to the donors. It has become an easy way out for many to start a NPO or NGO and start begging for funds or lobbying with the government for grants. The tech savvy have also been adopting new techniques such as crowd funding to sub serve their own interests without anybody questioning them. Most of the time a NPO also earns profit from unrelated activities and objectives but at the same time enjoys tax exemption which amounts to illegality.

Many government agencies use NPOs and/or NGOs to get funds especially African governments (being poorest) which are misused with impunity since there are no effective mechanisms to monitor the funds utilized for the welfare of its citizens from the host countries, mainly European countries. This is over and above aid received from IMF and World Bank.

There will be black sheep in any flock but too many of them make it a herd of only black sheep. Existing NPOs and NGOs have clearly made a mockery out of being truly 'nonprofit' or 'not for profit'.

Also, it seems to have become a celebrity fetish as well. Many celebrities seem to float NPOs or support or endorse an existing charity NPOs. It does not mean that those charities are straight forward charities or well-run exceptional charities. It only means that these are largely a part of the Public Relations mechanism of the celebrity who uses these as a vehicle to engage a wider group of people and earn publicity. And NPOs and NGOs are means to the end. Also, many established NPOs and NGOs battle each other fiercely to raise funds and attaching a celebrity name as the brand ambassador makes it easy to raise funds. It is a win-win for both the organization as well as the celebrity.

At the same time, a lot of these organizations seem to be driven by an agenda. The agenda, in most cases, will be dictated by the primary funding source for the NPO or NGO. They then become slaves to their sponsors and are forced to subscribe to the agenda that has been provided to them. Conversely, many start NGOs and NPOs citing various genuine issues that society battles with and use these to secretly peddle their own agenda.

NPOs and NGOs are now talking about funds in trillions and billions in USA and in crores in India. It shows that rent seeking is unavoidable in NPOs and NGOs sectors. In our opinion, rampant rent seeking of multitude types happens without the knowledge of the outside world in NPOs and NGOs in India, USA and the world. This must be true to more than the average number of NPOs and NGOs. Of course, it does not mean that all NPOs and NGOs are alike.

There are innumerable NPOs and NGOs that are genuinely working for the welfare of the society and public at large. Their contribution cannot be discounted. But looking at the scenario presented in literature review and data collection, we become pessimistic, disappointed and skeptical about the operations of many NPOs and NGOs in India and USA. So, it amounts to the fact that even in clean NPOs and NGOs who are serving the people, there must be some rent seeking practices visible.

To sum up, our hypothesis has been proved conclusively and beyond doubt. Unfortunately, this will create anguish, heartbreak and frustration since society's expectations from NPOs and NGOs are generally positive and the assumption always is that they serve humanity with great fervor, earnestness and passion.

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