THE DETERMINANTS OF FOREIGN FUNDING TO NON-GOVERNMENTAL ORGANIZATIONS: EVIDENCE FROM INDIA

By

JAMES CLIFFORD ECHOLS III

A thesis submitted to the

Graduate School-New Brunswick

Rutgers, The State University of New Jersey

In partial fulfillment of the requirements

For the degree of

Master of Science

Graduate Program in Food and Business Economics

Written under the direction of

Dr. Carl Pray

And approved by

_____

_____

_____

New Brunswick, New Jersey

October 2015

Abstract of the Thesis

The Determinants of Foreign Funding to Non-Governmental Organizations: Evidence from India

By Cliff Echols

Thesis Director:

Dr. Carl Pray

In a leaked July 2014 Indian Intelligence Bureau (IIB) *SECRET* report titled *Concerted efforts by select foreign funded NGO's to 'take down' Indian development projects* (Which devotes an entire section to "Anti Genetically Modified Organisms (GMO) activism") the IIB clearly expresses concern over the potential influence foreign funding can have on indigenous NGO's. This thesis analyzes a dataset of 719 Indian based NGO's that are working in the biotechnology, agriculture, food, land and environment sectors in an effort to uncover the determinants of foreign funding. It is proposed that this funding is not a result of mass altruism but rather a combination of economic and psychological factors which are comprised of determinants relating to utility and efficiency (economic factors) and determinants that are controllable and uncontrollable (psychological factors). The objective of this thesis is to identify factors of an NGO which may help to explain successful foreign funding campaigns. A *Tobit* model and *Heckman Selection Two-Step* model are developed for testing and comparison between the two. Results indicate weak support for the notion that foreign funding is a result of economic and psychological determinants.

Acknowledgements

I would like to acknowledge all faculty and staff who are a part of the Department of Food and Resource Economics (DAFRE) because without the synergistic effect of their assistance and ongoing support, my graduate career would not have been possible. I would also like to recognize Dr. Latha Nagarajan for her contagious enthusiasm for applied research and invaluable guidance in applying my newly honed skills in the "real-world". To my wife Sarah; thankyou so much for standing by me in good times and tough ones; in sickness and in health; and being that annoying little voice in my head *reminding* me to finish my thesis!

Table of Contents

List of Figures

List of Tables

Chapter 1

Introduction

Non-governmental organizations (NGO's) have become an essential part of the development process, particularly in developing countries where dissatisfaction with government performance is high. The United Nations (UN) defines NGO's as "*a not-for-profit group, principally independent from government, which is organized on a local, national or international level to address issues in support of the public good*" (www.unrol.org). Similarly, drawing on literature from a number of research centers, the World Bank defines NGO's as *"organizations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations"* (www.worldbank.org). To synthesize, a NGO is an organization structured at the local, national, or international level which is driven by people with common interests in an effort to provide humanitarian efforts and/or vocalize citizen concerns to governments.

As a result of their organizational structure, NGO's have been exceptionally effective in reaching citizens located in hard to access areas (Teegen, et al, 2004). In developing countries such as India, local NGO's have been effective in promoting sustainable development due to their linkage to poor and otherwise unorganized people (Edwards, 1999). As a result, international NGO's as well as bilateral and multilateral donors increasingly seek to channel development funding through local NGO's which has led to the significant growth of the NGO

sector in developing countries (Fafchamps & Owens, 2008).[1] However, as Sargeant (1999) points out, the percentage of households participating in charitable giving in the United Kingdom is on a 20 year decline. This growth in the NGO sector combined with the shrinking pool of donors has created a more competitive market for donor dollars (List, 2011; Sargeant, 1999). It can be safely assumed that international funding to a local NGO in a developing country will dry up and eventually cease if the local NGO does not follow the directives of the donor. Additionally, while researching the impact, sustainability, and cost effectiveness of NGO's; Edwards (1999) suggests that NGO's not sacrifice their charter values in exchange for large donations and quick material results - a condition he states to be surprisingly common. Given the importance of NGO's in the GMO debate in India and the potential role played by foreign donors on the livelihood and success of these NGO's, it is important to understand the criteria used by international donors when they allocate funds to NGOs.

Using a Social Network Analysis, Echols, Bhuyan, and Pray (2013) found evidence that NGO's have been an integral cog in the GMO debate in India. During this research, the authors were able to identify a few NGO's actively involved in this debate and upon closer inspection of these NGO's; Echols, et al (2013) observed many received monetary donations from sources abroad. For example, Navdanya, a prominent Indian NGO, received funding via sources

[1] According to Fafchamps and Owens (2008), it is generally assumed that NGOs operating in developing countries are charitable organizations with altruistic or philanthropic purposes and are assumed less likely to spend donated funds in non-mission work. The motives of NGO promoters and the assumption that NGOs in developing countries are charitable organizations were, however, questionable (Edwards and Hulme, 1995; Platteau and Gaspart , 2003). Examining such an issue is beyond the scope of this research.

originating in 11 foreign countries totaling $494,155.13[2]. In addition, Echols, Bhuyan, and Pray (2013) utilize a Sentiment Analysis which indicated an overwhelming majority of the active NGO's to be on one side of the debate, anti-GMO. These findings were surprising given the fact that India is home to over three million NGO's with over 58,000 of these NGO's registered through India's NGO Partnership System (www.ngo.india.gov.in). Such an observation raises questions regarding the determinants of foreign funding to NGO's. One such example is whether NGO's operating in certain sectors (ie: biotechnology, environment, agriculture, etc.) attract donors that would otherwise refrain from giving?

In July 2014 a *SECRET* report by the Indian Intelligence Bureau titled *Concerted efforts by select foreign funded NGO's to 'take down' Indian development projects*, anti-GMO activism specifically is cited as a cause for concern. The report goes on to identify several Indian based NGO's suspected of such behavior (Indian Intelligence Bureau, 2014). While freedom of speech is guaranteed by the Indian constitution, the Intelligence bureau credits these organizations with the spreading of false information and propaganda while receiving funding from primarily German based donors known for their anti-GMO views (Indian Intelligence Bureau, 2014). Further concern is drawn on the basis that many of these NGO's are headquartered at the same address, further implying the possibility of collusion in regards to stopping government backed development projects (which was partially achieved with a 3 year moratorium place on Bt Brinjal in 2011). It is this type of NGO effectiveness, complicity, and concentrated foreign

[2] All monetary values are converted from Indian National Rupees (INR) to United States Dollars (USD) for a fixed exchange rate of .0167796 INR/USD; as current on May 12, 2014.

funding that have drawn attention from the highest levels within India's government and give motivation for this thesis.

The objective of this thesis is to identify factors of an NGO which may help to explain successful foreign fundraising campaigns. Meeting this objective may yield valuable insights into the inner workings of how NGO's receive donor support. A review of the literature is carried out in order to identify possible explanatory variables found in previous research. Following, a *Tobit* model and a *Heckman Selection Two-Step* model are developed for econometric testing and comparison between the two. These models have been selected due to their performance with economic datasets containing many genuine zeros (ie: $y_i = 0$). While the more common *Tobit* model is used to identify the determinants regarding the levels of foreign funding attained in a 1 step process; the *Heckman Selection* model breaks the decision into two separate decision models. The *Heckman Selection* model uses one step to analyze factors which determine whether or not the NGO was successful in soliciting foreign funding; while the second step is used to analyze factors which affect the overall level of foreign funding received. The results are interpreted in Chapter 5.

Chapter 2

Literature Review

2.1 Introduction

There is no shortage of literatures reporting in the area of gift giving. This topic has attracted scholarly research from multiple disciplines including anthropology, economics, management, marketing, psychology, social psychology, and sociology. However, the literature is significantly lacking in studies combining findings across these disciplines. As a result, research into the topic of gift giving has diverged into multiple sub-categories within. These sub-categories include:

1. What motivates donors to give;
2. What inhibits donors from giving;
3. The effect of external influences on a donors' decision to give;
4. The effect of donor characteristics on the donor decision process;
5. The effect of recipient characteristics on the donor decision process; among many others

Due to this divergence, the current literature is reclassified into two categories (1) Analyses of gift giving from the donors' perspective; and (2) Analyses of gift giving from the recipients' perspective. This distinction helps to refocus the research and provide a basis for comparison between disciplines. As this thesis intends to examine those qualities or characteristics of the recipient which attract (or repel) donations, this assessment will focus exclusively on reviewing

literatures which could be classified into the first category "*Analyses of gift giving from the donors' perspective*".

The following sections present findings from the literature on factors which affect contributions to charitable organizations. These factors are categorized into two sections: (1) Economic determinants and (2) Psychological determinants. Economic determinants consist of factors which proxy for utility and efficiency, while psychological determinants consist of controllable and non-controllable factors.

2.2 Economic Determinants - Utility

It has been argued by economists that potential donors make the decision of to give or not to give based on the degree of utility achieved from such behavior (Collard, 1978). While altruism is commonly regarded as the underlying motivation for charitable giving behavior, Krebs (1970) cites 140 significant studies to conclude what often passes as altruism may in fact be reciprocity. An example of this would be tax deductions for charitable donations, where potential donors may choose to donate only if such a donation qualifies for a tax deduction. Thus this idea of reciprocity is in agreement with utility theory. However, as Lindhal & Conley (2002) point out, most studies acknowledge that a donors' decision to give is not decided by a single factor but rather a combination of factors. As such, in a more traditional view of utility theory, a donors' decision to give is also affected by benefits received in the past and/or expected benefits in the future (Amos, 1982; Frisch & Gerrard, 1981; Krebs, 1970). This relationship between benefits and utility is rather apparent due to the ease in ability to observe such behavior.

In contrast to the above, strategic interests have also been identified as factors which affect a potential donors' decision to give (Burnside & Dollar, 2000; Alesina & Dollar, 2000; McKinley & Little, 1979). These strategic interests include economic interests, i.e. trading ties, and security interests, i.e. military assistance (McKinley & Little, 1979). Furthermore, it has been suggested that a donors' strategic interests outweigh the quality of policies pertaining to the recipient (Burnside & Dollar, 2000). Under such conditions the relationship between strategic interests and utility theory is valid due to the act of giving being better explained by personal incentives rather than charitable incentives.

Similar to the above findings, political interests have also been identified as a prominent factor affecting giving behavior (Sargeant & Woodliffe, 2007; Alesina & Dollar, 2000; Frey & Schneider, 1986; Amos, 1982; Frisch & Gerrard, 1981; McKinley & Little, 1979). These political interests are said to affect both individual donors (Sargeant & Woodliffe, 2007; Amos, 1982; Frisch & Gerrard, 1981) and institutional donors (Alesina & Dollar, 2000; Frey & Schneider, 1986; McKinley & Little, 1979); however their respective methods of action are different. As an example, individual donors may be affected by political interests in the form of donating to a charity as a means to increase their political or career platform (Sargeant & Woodliffe, 2007; Amos, 1982; Frisch & Gerrard, 1981). On the other hand, institutional donors engaging in the act of giving may experience influence via political interests in the form of supporting those countries (or NGO's) who adopt favorable policies or political parties as well as giving preference to those countries with whom an alliance is shared (Alesina & Dollar, 2000; Frey & Schneider, 1986; McKinley & Little, 1979). Similar to the explanation of strategic interests; the relationship between political interests and utility theory can be established via observation of donors

exhibiting preference towards those factors facilitating personal gain over those factors which facilitate charitable performance.

2.3 Economic Determinants – Efficiency

As mentioned earlier in this chapter, most scholars acknowledge that a donors' decision to give is determined by a combination of factors (Lindhal & Conley, 2002). As such, in addition to those factors which may increase (or decrease) a potential donors' utility, several factors acting as proxies of efficiency have also been identified in the literature. Under the general assumption that donors are rational decision makers, it is reasonable to expect potential donors utilize measures of efficiency when attempting to increase their own utility. One such measure is that of professionalism (Bougheas, et al, 2012; Sargeant, et al, 2003; Sargeant, et al, 2001; Baily & Bruce, 1992); that is, the degree to which the organization is professionally run. This distinction is in agreement with findings by Cutlip (1980) that, in addition to other judgmental criteria, individuals will evaluate potential recipients based on the extent to which the recipients' performance has been viewed as acceptable. Similarly, in their analysis of selectivity criteria utilized by donors funding Ugandan NGO's, Bougheas, et al (2012) conclude that international donors rely more on factors which proxy for efficiency both for the NGO and its manager. In their study, Bougheas, et al (2012) found the managers' level of education as well as the manager's appointment procedure both to be positively related to the amount of donations received. Furthermore, Baily & Bruce (1992) identify the perceived mismanagement of a charitable organization as having a negative impact on donations.

In addition to characteristics of management being used as a proxy for efficiency, characteristics of the recipient organization have also been found to be significant factors in a

donors' decision process. Notable amongst these are the networking capabilities of the recipient (Bougheas, et al, 2012). In their study, networking connections were divided into local networking connections and national networking connections. Interestingly, Bougheas, et al (2012) find funding from international donors to be higher when the recipient has many national networking connections yet local donors react in the opposite. A possible explanation is given via *Crowding-Out Effect*; where local donors opt to support those organizations which failed to receive funding from international sources (Bougheas, et al, 2012). Another interesting finding from their study was the size of the recipient organization (measured in terms of number of staff) was not found to be a key factor for either local or international donors. This is curious when interpreting the effect of increased networking connections as it would appear to be a proxy of efficiency through increased resource availability. As such, the size of the recipient organization would be expected to exhibit a similar effect due to increased resource availability through economies of scale. In attempting to explain such, it may be that, due to the nature of the organizations involved in their study (Ugandan NGO's), being a "large" organization may be viewed as detrimental to their ability to access beneficiaries located in difficult to reach areas.

In addition to the characteristics of both the recipient organization and its management, the literature suggests that donors utilize non-formal monetary ratios of the recipient organization as a proxy for efficiency. As Sargeant & Woodliffe (2007) state, donors appear to have an idea of the acceptable proportion of administrative costs versus fundraising costs. Indeed, research by Glaser (1994) uncovered that potential donors were especially concerned with an adequate amount of funding being spent per program; where the amount expected by potential donors was identified by Warwick (1994) as being a ratio of 20:80 administrative/fundraising costs. However, Sargeant & Woodliffe (2007) state most donors

believe the ratio is closer to 50:50. Interestingly, Bennett & Savani (2003) conducted research into this perception disparity and found that respondents believe 46% of donations reach the proposed beneficiaries, although the actual figure was 82%. Additionally, research conducted by Harvey & McCrohan (1988) identified this threshold to be 60%; where charities providing at least 60% of total donations to their proposed beneficiaries received significantly higher levels of donation.

2.4 Psychological Determinants – Controllable

When considering what determines the amount of donations received by a charitable organization, one is likely to begin with an assessment of marketing efforts. This is because, in large part, for a charitable organization to receive money they must first ask for such (Levis, 1990). It has been found that the method of asking, such as direct mail; telethons; telemarketing; advertisements; etc., can have a significant effect on donations acquired (Sargeant & McKenzie, 1998). Additionally, the approach utilized within the method of asking has been shown to influence a potential donors' decision to give (Fraser, et al, 1988; Weyant & Smith, 1987). As an example, Weyant & Smith (1987) found increased donation compliance resulting from lower requested donation amounts. Furthermore, multiple requests for donations to a single donor have been shown to increase compliance (Mowen & Cialdini, 1980; Cialdini & Ascani, 1976; Cann et al, 1975).

In addition to the above marketing tactics, it has been argued that brand recognition, or branding, in the charitable sector exhibits a synergistic effect on donations (Wray, 1994). It is argued that branding should both draw on and project the beliefs of the organization in order to facilitate understanding of the charitable organization and its mission to the potential donor

(Saxon, 1995). Thus the success of branding is determined by the clarity in which the charitable organizations' brand is perceived; where more clarity has a direct impact on an organizations ability to fundraise (Grounds & Harkness, 1998; Tapp, 1996).

As we discuss psychological factors which charitable organizations have control over in order to induce more donations, stimuli are considered. In general, these stimuli are presented as part of the overall marketing efforts when soliciting donations (Sargeant & Woodliffe, 2007). The factors which charitable organizations have control over are empathy, sympathy, fear, pity, guilt. As an example, Mount & Quirion (1988) found a strong association between the level of empathy attained and the likelihood of giving. These findings reinforce conclusions drawn by Davis, et al (1987) that charitable organizations should ask the prospective donor to imagine how the beneficiaries must feel, rather than asking how the donor would feel in their place. Similarly, sympathy is considered in the literature as a stimulating factor in a donors' decision to give. While this is largely viewed as a value expressive function (Clary & Snyder, 1991); a relationship between the degree of sympathy obtained as well as both the donors' propensity to donate and the level of the donation seem to exist (Batson, 1990). Finally, fear, pity, and guilt have been found to have a positive impact on donor compliance (Pieper, 1975; Krebs & Whitten, 1972). Thus, as Sargeant & Woodliffe (2007) conclude, giving behavior can be stimulated by engenderment of these feelings when seeking donations.

2.5 Psychological Determinants – Non-Controllable

Of the non-controllable psychological determinants relating to donor decision, altruism is certainly the most apparent and extensively covered in the literature. However, this is not to say a unified agreement of such behavior exists. Recalling findings by Krebs (1970) where

altruism was regarded as a misinterpretation of reciprocity, Walker & Pharoah (2002) contend such an explanation fails to account for gifts given under anonymity. In contrast, Andreoni (2001) references Public-Good Theory and Exchange Theory in order to argue utility gained as a result of giving behavior may take many forms. This view is supported by research conducted by Arrow (1972) where emotional utility was established. Similarly, McCarthy & Rogers (1982) state the defining characteristic of what qualifies as altruism is contingent upon the expectation of a reward.

The extent to which a potential donors' support to a charity is visible to others within their respective social group has also been identified (Stroebe & Frey, 1982; Cnaan & Goldberg-Glen, 1991). As Stroebe & Frey (1982) contend, this visibility serves to enhance the donors' standing within their social group, thus enhancing the donors' utility. It has also been identified that once a donor has chosen to give to an organization, the donor is significantly more likely to give again in the future (Kaehler & Sargeant, 1998). This may be attributed to the fact that donors are becoming more sophisticated and prefer to develop deeper relationships with the organizations they choose to support (Milne & Gordon, 1993).

2.6 Conclusions

This literature review has covered both individual donor behavior as well as institutional donor behavior; while providing a number of possible explanatory variables for use in modeling such behavior. Before reviewing the methodology applied with such variables, the next chapter will provide case studies on a select few NGO's and their foreign funding receipts for a single year as well as a 8 year review of all foreign funding coming into India.

Chapter 3

Case Study

3.1 Introduction

Should India be concerned with Foreign Direct Investment (FDI) influencing national policies? Such a question has intrigued Indian politicians since the 1970's and in 1976 India's parliament enacted the Foreign Contribution Regulation Act (FCRA). This legislation was driven largely by a fear of the "invisible-hand" which is summed up nicely by the following statement made by Khurshid Alam Khan during the legislature debates:

> "*The CIA's doings all over the world have very clearly indicated as to what could be done by foreign money and foreign interference*" (Reddy, 2013 pg. 2).

In 2010 India's parliament voted to update the bill, with concern having shifted from money from other governments to the increasingly influential role of Non-Governmental Organizations (NGO's) combined with their lack of financial transparency (Reddy, 2013). This concern has also been echoed by the Indian Intelligence Bureau (IIB) where a leaked *SECRET* report titled "*Concerted efforts by select foreign funded NGO's to 'take down' Indian development projects*" devotes an entire section to "Anti Genetically Modified Organisms (GMO) activism" (Indian Intelligence Bureau, 2014). In addition to citing activists and NGO's suspected of delaying development projects, the IIB assesses these activists and NGO's to excerpt a negative impact on GDP by 2-3% annually (Indian Intelligence Bureau, 2014). This chapter explores the notion that foreign funding is being used to influence national policies via investments in activism; specifically in the biotechnology sectors.

3.2 Case Analysis

As an industry representative, the Association of Biotechnology Led Enterprises (ABLE) is a not-for-profit NGO which represents all aspects of the Indian Biotechnology Sector (Agri-biotech; Bio-informatics; Bio-pharma; Research and academic institutes, etc…). It was launched in 2003 after industry leaders felt a need for better representation of the sector. The primary focus of ABLE is to accelerate the growth of the biotech sector in India. They hope to accomplish this through government partnerships created to deliver optimal policies and create a positive regulatory environment; encouraging entrepreneurship and investment in the sector; forging stronger links between academia and industry; and showcasing the strengths and potential of the Indian Biotechnology sector. In 2011 ABLE received donations from three foreign sources totaling $184,654[3]; with the bulk of this funding ($179,695) coming from a single donor, CropLife Asia (an industry representative advocating the international developments of crop protection and agricultural biotechnology). CropLife Asia's entire donation was for the purpose of *agricultural activity*, however ABLE only utilized approximately half of the contribution during the year. The details of their FCRA receipts are shown in tables 3.1 and 3.2.

[3] All monetary values are converted from Indian National Rupees (INR) to United States Dollars (USD) for a fixed exchange rate of .0167796 INR/USD; as current on May 12, 2014.

Table 3.1 **ABLE 2011 Credits**

Donor	Country of Origin	Purpose	Amount
Bank Interest	India	Other	$3,791.85
Research Triangle Institute	United States of America	Agricultural Activity	$1,167.29
CropLife Asia	Singapore	Agricultural Activity	$179,695.74
Source: 2011 FCRA Report		**Total**	**$184,654.88**

Table 3.2 **ABLE 2011 Debits**

Purpose	Previous Balance	New Receipt	Utilized
Activities other than listed above	$4,017.64	$3,791.85	$35.54
Agricultural Activity	$0.00	$179,695.74	$95,666.83
Other expenses	$0.00	$1,167.29	$0.00
Source: 2011 FCRA Report		**Total**	**$95,702.36**

Greenpeace India has been working on various environmental issues in India since 2001. Their work in India primarily focuses on four campaigns: (1) Stop climate change; (2) Sustainable Agriculture; (3) Preserving the oceans; (4) Preventing nuclear catastrophe. Their webpage states they are not opposed to science or finding more efficient farming methods; yet following their "*GE Campaign*" link and looking under basic demands, the first stated demand is "*A complete ban on the release of any genetically modified organisms in the environment, either for commercial cultivation of for experiments*" (www.greenpeace.org/india). Greenpeace India is one of the NGO's suspected by the Indian Intelligence Bureau for the obstruction of Indian development projects. In 2011 Greenpeace India received $1,148,891 from 6 donors for the purpose of *environmental programs*. It's worth noting 94% of their total donations, or $1,080,789, was given by Greenpeace International. The details of Greenpeace's' FCRA receipts are shown in tables 3.3 and 3.4 below.

Table 3.3 **Greenpeace 2011 Credits**

Donor	Country of Origin	Purpose	Amount
Bank Interest	India	Environmental Programs	$17,571.45
Climate Works Foundation	United States of America	Environmental Programs	$47,725.38
Greenpeace Germany	Germany	Environmental Programs	$2,290.03
Greenpeace International	Netherlands	Environmental Programs	$1,080,789.98
Philippa Isidore Presentation	United Kingdom	Environmental Programs	$136.87
Sisters of Charity of Nazarath (NLBI)	United States of America	Environmental Programs	$377.54
Source: 2011 FCRA Report		**Total**	**$1,148,891.24**

Table 3.4 **Greenpeace 2011 Debits**

Purpose	Previous Balance	New Receipt	Utilized
Environmental Programs	$71,512.76	$1,148,891.24	$1,169,927.54
Source: 2011 FCRA Report		**Total**	**$1,169,927.54**

Navdanya is a prominent Indian NGO whose stated mission is "*To protect nature and people's rights to knowledge, biodiversity, water and food.*" (www.navdanya.org). In addition to being one of the NGO's suspected by the Indian Intelligence Bureau for the obstruction of Indian development projects; Navdanya is credited with initiating the anti-GMO movement in India (Indian Intelligence Bureau, 2014). In 2011, Navdanya reported receiving $412,380 in foreign contributions from a combination of institutional and individual donors. Of this $412,380, 100 percent was stated as given for the purpose of *agricultural activity*, yet Navdanya only reports *Celebration of national events (Independence/Republic day) / festivals* as the sole purpose utilized. For this purpose, Navdanya claims to have spent, in addition to the entirety of donations received, an extra $1,896,353 while providing no additional economic or social activities/efforts. The details of their FCRA receipts are shown in tables 3.5 and 3.6.

Table 3.5 **Navdanya 2011 Credits**

Donor	Country of Origin	Purpose	Amount
Bank Interest	India	Agricultural Activity	$15,398.59
Altera Consultancy	United Kingdom	Agricultural Activity	$2,780.86
BFW	Germany	Agricultural Activity	$15,398.59
Center for Food Safety	United States of America	Agricultural Activity	$162,115.94
EED	Germany	Agricultural Activity	$117,367.85
FACES	Pakistan	Agricultural Activity	$2,592.43
Kath	Germany	Agricultural Activity	$766.09
RSF Social Finance	United States of America	Agricultural Activity	$3,716.47
Saint Michael's College	United States of America	Agricultural Activity	$9,850.50
SHUMEI International	Japan	Agricultural Activity	$7,447.69
Solidarite	France	Agricultural Activity	$33,954.18
Tedworth Charitable Trust	United Kingdom	Agricultural Activity	$12,955.56
Tradecraft	n/a	Agricultural Activity	$1,785.36
Wellesley College	United States of America	Agricultural Activity	$1,099.90
Western Illinois University	United States of America	Agricultural Activity	$3,797.56
Where There Be Dragons	United States of America	Agricultural Activity	$2,190.76
Women of Wolfville	Canada	Agricultural Activity	$473.51
Individual Donors (aggregate)	(misc.)	Agricultural Activity	$18,688.60
Source: 2011 FCRA Report		**Total**	**$412,380.44**

Table 3.6 **Navdanya 2011 Debits**

Purpose	Previous Balance	New Receipt	Utilized
Celebration of National Events	$2,198,687.28	$494,155.13	$2,390,508.38
Source: 2011 FCRA Report		**Total**	**$2,390,508.38**

These three organizations provide a basis of comparison between three types of NGO's: an industry representative organization (ABLE); an international organization (Greenpeace); as well as an indigenous organization (Navdanya). It is noted that these organizations may have received additional (local) funding not reported in FCRA filings; however this information is not reported on in this thesis because the data was not available. While ABLE's donations were dominated by CropLife Asia; it is suspected that a majority of their funding structure comes in the form of member fees/dues from their industrial members.

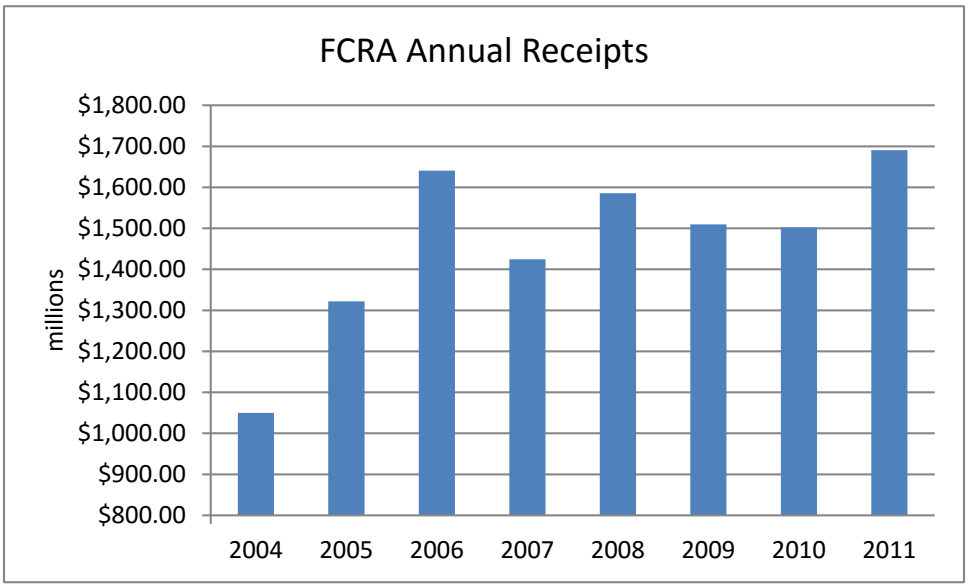
With Greenpeace India receiving 94% of their foreign funding from Greenpeace International, the potential for influence via foreign investment seems possible. Further concern arises from a statement by Greenpeace India's program director Divya Raghunadan claiming that Greenpeace International only accounts for 38% of foreign contributions. A quick review of Greenpeace India's past 7 years of FCRA returns show funding from Greenpeace International to be on average 90.08% of total contributions, a figure more than double that which the program director claims.

Navdanya has many donors who give for the stated purpose of agricultural activity; however it is the stated use of these funds that draws attention. The reported expense of $2.3 million dollars on celebration of national events grossly exceeds their annual donation receipts while failing to meet any of the organizations stated activities.

3.3 Foreign Funding in Aggregate

The importance of NGO's in sustainable development programs has been stated while questioning the role played by international donors; to go one step further is to determine whether there is enough ambiguity in foreign donations to justify such an argument. Figure 3.1 below shows the total FCRA receipts reported for the years of 2004-2011. There is a clear trend of increasing funding from foreign sources over these eight years with an average annual increase of 7.92%. Correspondingly, contributions in 2011 were 61.04% higher than those reported in 2004 totaling $1,690,695,716 USD. Yet looking at aggregate funding only provides limited information, funding by country of origin and intended purpose may yield valuable insight.

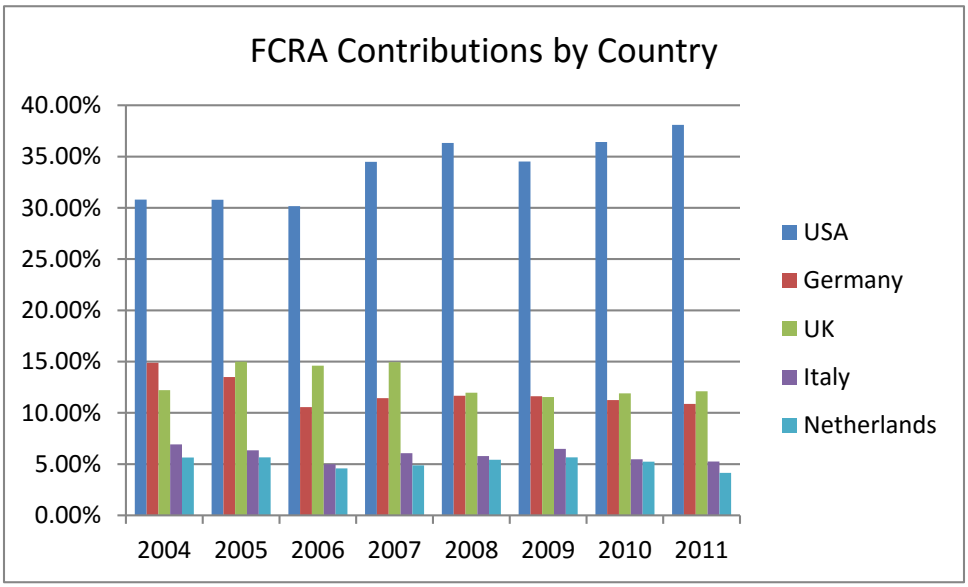
Figure 3.1



Source: FCRA Annual Reports 2004-2011

To identify where this funding is coming from, figure 3.2 below shows donations which have been broken down by country of origin. Due to space and relevancy constraints, only the top five donor countries, which represent an average market share of about 70% are presented. These figures are calculated as a percentage of total contributions in an effort to better compare their relative magnitudes. Donations from the USA are the dominant source of funding across all years reported. Interestingly, it would seem the USA is increasing their position while other countries are acting in the opposite. At its peak in 2011, contributions from the USA accounted for 38.09% of all foreign donations.

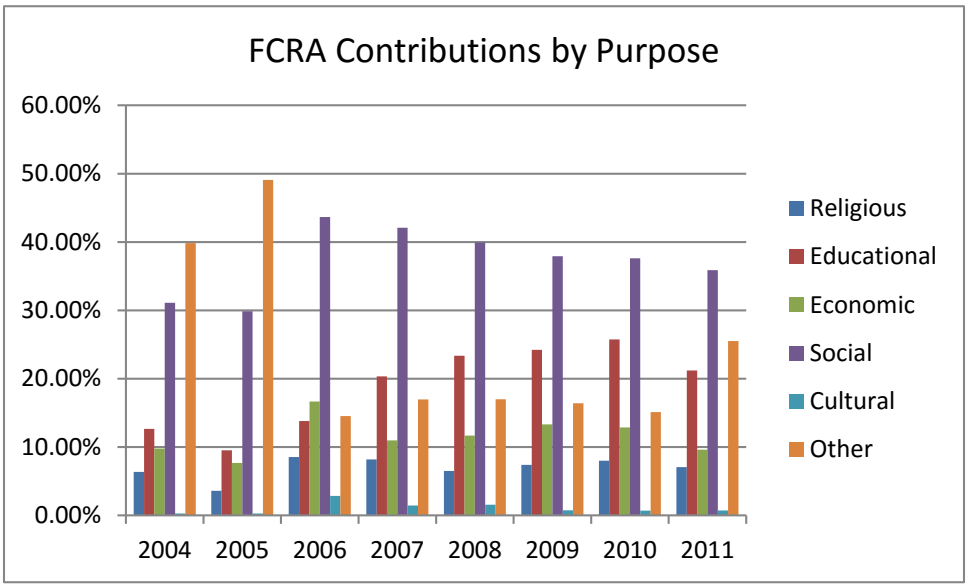
Figure 3.2



Source: FCRA Annual Reports 2004-2011

Lastly, the allocation of funding via their stated purpose is assessed and can be seen in figure 3.3 below. The FCRA allows all contributions to be classified into one of six groups: Religious, Education, Economic, Social, Cultural, and Other. While the category "*Social*" is predominantly the top receiving purpose, it is interesting to note that "*Other*" is among the top three purposes across all years representing an average of 24.31% of all donations. This becomes even more remarkable when considering the increasing amount of annual donations; as an example, in 2011 India's FCRA receipts accounted for $1,690,695,716 with the purpose "*Other*" representing 25.51% or $431,296,477 of those donations.

Figure 3.3



Source: FCRA Annual Reports 2004-2011

In this brief review of India's FCRA submissions the evidence shows that (1) foreign donations are increasing; (2) donations originating in USA dominate total contributions; (3) that a large portion of contributions are not being adequately accounted for with about 25% of foreign donations being vaguely classified as "*Other*". With nearly half a billion USD being virtually unaccounted for, there is reasonable evidence to suggest foreign donations have enough magnitude and ambiguity to potentially influence national policies, thus research into the determinants of this funding is warranted.

Chapter 4

Methodology

This thesis analyzes foreign funding to Indian NGO's with the purpose of uncovering the determinants of foreign funding. The objective of this thesis is to identify factors of NGO's which may aid in a successful foreign funding campaign. It is proposed that foreign funding of NGO's is not the result of mass altruism, but rather a function of economic and psychological determinants pertaining to the NGO. As a formal hypothesis:

$$H_0: Foreign\ funding\ of\ NGO's\ is\ purely\ altruistic\ in\ nature$$

4.1 Model Specification

As mentioned in the literature review, the scholarship reporting on charitable giving is vast. Unfortunately, due to the large amount of scholarship on this topic, the approaches used in such research are rather disseminated. In an effort to refocus this topic we acknowledge the clear distinction of our research focus to be *"An analysis of gift giving from the donors' perspective".* Additionally, as we did in the literature review, all potential factors (variables) are classified into two categories (1) Economic Determinants and (2) Psychological Determinants. With such a distinction, the following conceptual model is formed.

Equation 4.1

$$Donor\ Dollars = fn\ (Economic\ Determinants; Psychological\ Determinants)$$

Where:

Economic Determinants – Comprised of factors which proxy for utility and efficiency.

Psychological Determinants – Comprised of controllable and non-controllable factors.

In words, it is proposed that changes in donor dollars can be reasonably explained by a combination of *Economic Determinants* (factors which proxy for efficiency and utility); and *Psychological Determinants* (factors which are controllable and non-controllable). These two categories each contain an extensive set of sub-variables; however in the capacity of this thesis there exists a limitation in the availability of data. Due to this limitation, space, and relevancy concerns; this section presents only those factors which (1) are observable via public information; (2) appear to be relevant to explaining changes to *Donor Dollars* to NGO's; and (3) appear to have a significant effect on *Donor Dollars* received by charitable organizations. Most notable of these factors are: *Professionalism* and *Size* (Economic Determinants – Efficiency); *Branding* (Psychological Determinant – Controllable)*;* and *Past Experience* (Psychological Determinant – Non-controllable)[4]. Each of these factors will now be considered in turn for use in our model.

The degree to which an organization is professionally run has been identified in the literature as a prominent factor in a donors' decision to give (Bougheas, et al, 2012; Sargeant, et al, 2003; Sargeant, et al, 2001; Baily & Bruce, 1992). In an attempt to capture this effect, this thesis uses a percentage of repeat donors over a four year period to capture a measure of efficiency. A variable is created, *Repeat2006,* which is calculated as the percentage of returning

[4] Variables from the Economic Determinants – Utility are unable to observe in our analysis as they relate to the donor, not the NGO and thus are beyond the scope of this thesis.

donors after a four year period (2006-2010). This is used as a proxy for professionalism or management efficiency with the reasoning that if donors were not pleased with the management and utilization of donations, donors would look for other NGO's to support and thus the percentage of repeat donors would be abnormally low.

The *size* of an organization has also been identified as a potential factor affecting donors' giving behavior (Bougheas, et al, 2012). An attempt to capture this effect has been made with the creation of two proxy variables: (1) *ofsectors*; and (2) *OperationalAreas*. The variable *ofsectors* acts as a proxy for size in that it represents a count of the total number of sectors the NGO identifies as working in. The variable *OperationalAreas* works much in the same manner, but instead of a count of the total number of sectors *OperationalAreas* gives a count of the number of states the NGO reports working in.

It is proposed that *Branding* or name recognition of the NGO to play an important role in the ability to persuade donors to give. It has been argued that the value of *branding* can be observed when comparing large charities versus small charities engaging in marketing behavior (Sargeant, 1999). For use in this thesis, *Age* of the NGO is substituted as a proxy for brand recognition; where age is measured in years since official registration of the NGO. The logic behind this stems from the difficulty in quantifying the value of branding. For simplicity reasons we suggest the older a NGO is, the more likely the potential donor has come across them before; thus at least partially capturing the effect of brand recognition.

With respect to *Past Experience* of the donors, an effort is made to capture this effect with the amount of funding received from the top 5 contributing countries from the previous year. As Kaehler & Sargeant (1998) point out, once a donor has chosen to give support, they are

significantly more likely to give again in the future. As such, we categorize this variable as a non-controllable psychological effect.

In addition to those factors uncovered in the literature review, the *location* of the NGO headquarters is included for exploratory significance testing. We capture this effect by assigning a regional coding of 1-6 representing *North, South, East, West, Northeast, and Delhi*. This coding procedure can be seen in detail in Appendix table A-1. Additionally, five dummy variables have been included to explore whether certain sectors attract or repel potential donors. These sector dummies are: *biotechnology, agriculture, food, land, and environment*.

These factors come together to form a model of giving behavior shown in equation 4.1 below.

Equation 4.1

$$DonorDollars = fn(SectorCount; Repeat2006; USA; Germany; UK; Italy; Netherlands; North; South; East; West; \dots Northeast; Delhi; Age; OperationalAreas; Biotech; Agriculture; Food; Land; Environment)$$

4.2 Model Selection

It is expected that not all NGO's will receive foreign contributions each year. Such a scenario will produce a dataset containing an unusually high number of zeros which can potentially lead to any number of econometric problems when attempting OLS estimation. Taking this into account a *Tobit* model and a *Heckman Selection Two Step* model are developed for econometric testing and comparison between the two. These models have been selected due to their performance with economic datasets containing many genuine zeros (ie: $y_i = 0$).

The *Tobit* model is generally the go-to model when working with datasets containing many zeros in the dependent variable. *Tobit* models are often used when the latent (unobservable) variable y_i^* is not always observable but the independent variable x_i is observable. The model assumes two types of dependent variables: (1) The observable y_i; and (2) The unobservable (latent) variable y_i^*. The relationship between the two is shown in equation 4.2 below:

Equation 4.2

$$y_i = \begin{cases} y_i^* & if \quad y_i^* > 0 \\ 0 & if \quad y_i^* \leq 0 \end{cases}$$

The *Tobit* model will attempt to estimate those factors which affect the overall level of donations received. While the Tobit model censors those observations at the lower limit ($y_i = 0$), the resulting β coefficients should be interpreted as a combination of (1) The change in y_i of those above the limit, weighted by the probability of being above the limit; and (2) The change in probability of being above the limit, weighted by the expected value of y_i if above (McDonald & Moffit, 1980).

The *Heckman Selection* model assumes an underlying relationship already exists within the regression; however the dependent variable is known to not always be observed. Thus, the resulting regression (4.3) and selection (4.4) equations are:

Equation 4.3

$$y_j = x_j\beta + u_{1j}$$

Equation 4.4

$$z_j\gamma + u_{2j} > 0$$

Where:

$$u_1 \sim N(0, \sigma)$$
$$u_2 \sim N(0, 1)$$
$$corr(u_1, u_2) = \rho$$

When $\rho \neq 0$, applying standard regression techniques to equation 4.2 will yield biased results. The Heckman Selection model provides consistent and asymptotically efficient estimates for all parameters in such models.

4.3 Data Collection

The data used was gathered from two main databases established and run by the Indian government. The first is www.ngo.india.gov.in, a public website intended to help consolidate essential information of the 3 million+ NGO's operating within India. In combination with this source www.fcraonline.nic.in is used to obtain financial records of foreign money received by NGO's. With these two sources, a sample pool of 719 NGO's has been selected via a customized screening procedure intended to yield those organizations most relevant to the scope of this thesis. This screening procedure is most simplistically shown in table 4.1 below.

Table 4.1

Screening Procedure	
Indian NGO's	3,000,000+
Submitted FCRA form 2011-2012	22,328
Registered with the Indian NGO Partnership	4,160
Identify as active in one or more of the following sectors: (Biotechnology, Agriculture, Food, Land, Environment)	2,702
Submitted FCRA form in 2006-2007 and 2009-2010 (Necessary to calculate *RepeatDonor* variable)	719

Source: Author

These 719 NGO's have been selected for the sample and a complete dataset has been collected from the two aforementioned sources. The information collected represents the 21 variables selected for use within the model. These variables and their descriptions can be seen in table 4.2 below.

Table 4.2 **Variables List**

Name	Description	Transformation
Donor Dollars	2011 FCRA filings	None
SectorCount	Count of the number of sectors the NGO reports working in	None
Repeat2006	The percentage of 2010 donors who were repeats from 2006 FCRA filings	None
USA	Amount of 2010 funding from USA	None
Germany	Amount of 2010 funding from Germany	None
UK	Amount of 2010 funding from UK	None
Italy	Amount of 2010 funding from Italy	None
Netherlands	Amount of 2010 funding from Netherlands	None
South	Headquarter location dummy (0=no; 1=yes)	None
East	Headquarter location dummy (0=no; 1=yes)	None
West	Headquarter location dummy (0=no; 1=yes)	None
Northeast	Headquarter location dummy (0=no; 1=yes)	None
Delhi	Headquarter location dummy (0=no; 1=yes)	None
Age	Age of the NGO in years (since registration)	Log transformation
OperationalAreas	Count of the number of states the NGO reports working in	Categorical Transformation
Biotech	Does the NGO report working in this sector? Binary (0=no; 1=yes)	None
Agriculture	Does the NGO report working in this sector? Binary (0=no; 1=yes)	None
Food	Does the NGO report working in this sector? Binary (0=no; 1=yes)	None
Land	Does the NGO report working in this sector? Binary (0=no; 1=yes)	None
Environment	Does the NGO report working in this sector? Binary (0=no; 1=yes)	None

Source: Author

4.4 Descriptive Statistics

Table 4.3 below presents summary statistics of the created dataset after the aforementioned transformations were applied. Note that "TDonorDollars" is the dependent variable in the *Tobit* model; while "HDonorDollars" is the dependent variable in the *Heckman Selection Two-Step* model after the log transformation has been applied. The correlation matrix for the *Tobit* model and *Heckman Selection Two-Step* model can be found in the Appendix table A-2.

Table 4.3 **Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
TDonorDollars	719	171.895	1181.351	0	18,502.34
HDonorDollars	457	230.333	1201.353	.034	18,502.34
SectorCount	719	16.534	6.765	1	25
Repeat2006	719	0.058	0.158	0	1
USA	719	24,190.78	177,282.00	0	3,148.11
Germany	719	8,346.64	67,332.24	0	1,614.98
UK	719	22,066.98	227,265.90	0	4,863.90
Italy	719	870.308	7,097.33	0	105.59
Netherlands	719	7,423.67	47,586.59	0	690.47
North	719	0.154	0.362	0	1
South	719	0.378	0.485	0	1
East	719	0.284	0.451	0	1
West	719	0.092	0.289	0	1
Northeast	719	0.029	0.169	0	1
Delhi	719	0.063	0.242	0	1
logAge	719	1.306	0.195	0.477	2.021
Operationa~s	719	1.255	0.436	1	34
Biotech	719	0.186	0.39	0	1
Agriculture	719	0.673	0.469	0	1
Food	719	0.363	0.481	0	1
Land	719	0.288	0.453	0	1
Environment	719	0.815	0.389	0	1

Source: Author

Chapter 5

Results

The analysis of these models has been carried out using the computer software STATA®. The results of this analysis (model summary and parameter estimates) are presented here followed by a brief discussion of findings. The results of each model (beta coefficients, standard errors, and marginal effects) are presented side by side in table 5.1 at the end of this chapter.

5.1 Tobit model

The primary motivation for this thesis stems from the seemingly disproportionate number of anti-GMO NGO's actively participating in the Bt Brinjal debates in India. The Tobit model yields 6 variables of statistical significance from the data provided. The variables *RepeatDonor, USA, Germany, UK* are all significant at the 1 percent level; while *Delhi* and *logAge* have significance at the 5 percent level. It is interesting to note that none of the sector specialization variables have shown significance, especially when this was a primary motivating factor for conducting the research. Furthermore, the sectors *Biotech, Agriculture, Food,* and *Environment* have produced negative coefficients, with the variable *Land* as the sole sector to show a positive effect on *donordollars.* Without statistical significance, any attempt to interpret the effect of these sector variables is hazardous; however the presence of the negative beta coefficients does suggest a negative relation to the NGO's ability to attract foreign funding.

The general model outlined in chapter 4 proposes foreign funding to be a combination of economic factors and psychological factors affecting the donors' decision. Regarding the proposed economic determinants (*SectorCount, RepeatDonor, North, South, East, West,*

Northeast, Delhi, OperationalAreas), *RepeatDonor* and *Delhi* are the only variables presented with statistical significance – both at the 1 percent level. Additionally, both of these variables are found to have positive coefficients, 559.283 and 624.031 respectively. Interpreting the marginal effect of these variables on donor dollars indicates: (1) a one unit increase in the percentage of repeat donors will increase donor dollars received by $179.40 on average; (2) being located within the capital city of Delhi is expected to increase donor dollars received by $241.37 on average. While the remaining economic determinant variables did not achieve statistical significance, it is interesting to note that *SectorCount* and *East* both received a negative beta coefficient through the regression estimation. Again, attempting to estimate the effect of these variables on donor dollars is hazardous without significance, however the observation of negative beta coefficients is interesting on its own. It was initially thought that, the more sectors a NGO is working in, the higher the likelihood of appealing to multiple donors – thus increasing the total amount of donor dollars received. The *Tobit* model indicates this is not the case, and implies the opposite to be true. Regarding the negative beta coefficient on the *East* variable, this finding is curious to say the least. There are a multitude of factors which may have influenced this result, yet these are beyond the scope of this research. As a general observation, the marginal effects of the location variable seem to be loosely correlated with prosperity of the region (Delhi being the most prosperous has the largest and significant beta; East India being the least prosperous while having the smallest and not statistically significant beta).

In addition to these economic determinants, this thesis has investigated the effect of psychological determinants on donor dollars as well. The variables *USA, Germany, UK, Italy, Netherlands, Biotech, Agriculture, Food, Land,* and *Environment* have been included in the

regression as estimations of psychological determinants. Of these, *USA, Germany,* and *UK* have been found to be statistically significant at the 1 percent level, and *logAge* is statistically significant at the 5 percent level. Additionally, each of these variables has been found to have positive coefficients indicating a positive relationship with the amount of donor dollars received. The variable *USA* has a marginal effect coefficient of .394, thus it can be said that for every unit increase in dollars received from the USA in the previous year, foreign funding in the current year is expected to increase by $393.73[5]. This interpretation holds for the variables *Germany* and *UK* as well, with expected increases to donor dollars of $1,511.92 and $434.20 respectively. The marginal effect of 174.275 presented with the beta coefficient on *logAge* can be interpreted as meaning: For a one unit increase in the log transformed age of a NGO, donor dollars is expected to increase by $174.28. Of the remaining psychological factors included in the regression, while not found to be statistically significant, it is interesting to note that *Biotech, Agriculture, Food,* and *Environment* each present a negative beta coefficient implying that operating in these sectors would have a negative effect on the NGO's ability to receive foreign funding. To contrast, the sector variable *Land* is estimated to have a positive beta coefficient. As mentioned before, any attempt to interpret these effects would be hazardous without statistical significance, nonetheless this finding may justify further research.

5.2 Heckman Selection Two-Step model

The *Heckman Selection Two-Step* model yields 6 variables of statistical significance in the first stage with another 4 variables of statistical significance in the 2nd stage which

[5] All monetary values were re-coded in the dataset by (1/1,000) to produce a dataset more closely resembling normality.

determines the amounts invested in the NGO's. The first stage variables that are significant are: *RepeatDonor, USA, Germany, UK, logAge,* and *Environment*. The second stage variables that are significant are: *USA, Germany, UK,* and *Delhi.* The 1st stage equation is used to estimate those factors which have the greatest effect on the NGO being selected to receive donations while the second stage equation estimates those factors most pertinent to estimating the overall level of donations attained by the NGO.

Of the economic factors included in this regression (*SectorCount, RepeatDonor, North, South, East, West, Northeast, Delhi, OperationalAreas*) *RepeatDonor* and *Delhi* are the only variables found to have a statistically significant effect on donor dollars received. *RepeatDonor* is found to be significant at the 1 percent level in the selection equation with a beta coefficient of 1.809. This finding can be interpreted as: A 1 unit increase in the percentage of repeat donors will increase the likelihood of being selected to receive donations by a factor of 1.809. The variable *Delhi* is found to be significant in the consumption equation at the 1 percent level with a beta coefficient of 67.502. This finding indicates that NGO's located in Delhi have a higher likelihood of being selected to receive donor support by a factor of 67.502. Of the variables that failed to reach statistical significance, it is interesting to note that *SectorCount* and *OperationalAreas* received negative betas in both the selection and consumption estimations; *East* and *Northeast* received negative betas in the selection estimation; and *RepeatDonor, South,* and *West* received negative betas in the consumption estimation.

Regarding the variables classified under psychological factors (*USA, Germany, UK, Italy, Netherlands, logAge, Biotech, Agriculture, Food, Land, Environment*), *USA, Germany, UK, logAge,* and *Environment* have each been identified as statistically significant. The variable *USA* is found

to be statistically significant in both the selection and consumption estimations with beta coefficients of .034 and 1.15 respectively. Thus, receiving donor dollars from the USA in the prior year is expected to increase the NGO's ability to be selected for donations by a factor of .034 which in turn increases the amount of donor dollars received by $1,153.82 on average for each unit increase ceteris paribus. *Germany* shows statistical significance in both the selection and consumption estimations with beta coefficients of .083 and 4.369 respectively. Thus, receiving donor dollars from Germany in the previous year is expected to increase the likelihood of being selected for donor support by a factor of .083 which in turn increases the amount of donor dollars received by $4,368.68. Similarly, *UK* is found to be statistically significant in both the selection and consumption estimations with beta coefficients of .185 and 1.326 respectively. Thus, receiving donor support from the UK in the prior year is expected to increase the likelihood of being selected for donations in the current year by a factor of .185, which in turn increases donor dollars by $1,325.86 for every unit increase ceteris paribus. The proxy for branding, *logAge*, is statistically significant in the selection equation with a beta coefficient of .692. This finding is interpreted as: For a one unit increase in the logarithmic age of a NGO, the NGOs' ability to be selected for donor support increases by a factor of .692. The last variable to show statistical significance is the sector dummy for *Environment* which is only significant in the selection equation and estimated to have a beta coefficient of -.387. This finding is particularly interesting due to the presence of the negative sign, thus indicating a negative relationship between operating in this sector and being selected to receive foreign funding. Of the variables which failed to achieve statistical significance, it is interesting to note that *Food* comes with a negative beta coefficient in both the selection and consumption equations. It is curious that Biotech is found to have a negative effect on the ability of the NGO to be selected to receive

foreign funding, even if not statistically significant. Additionally, *Italy, Netherlands,* and *Agriculture* are each found to have a negative beta coefficient in the consumption equation. While these variables may have failed to gain statistical significance, the negative coefficients are particularly intriguing and should be followed up with more research to further investigate the forces at play here.

Table 5.1 Regression Results

	Heckman			Tobit	
	Number of Obs: 719			Number of Obs: 719	
	Censored Obs: 262			Censored Obs: 262	
	Uncensored Obs: 457			Uncensored Obs: 457	
	Mills - lambda: -6.108			Log likelihood -3891.66	
	Selection Coef. (Std. Error)	**Coefficients** (Std. Error)	**Marginal Effects** (Std. Error)	**Coefficients** (Std. Error)	**Marginal Effects** (Std. Error)
SectorCount	-0.009 (0.012)	-0.254 (0.809)	-0.254 (8.095)	-4.302 (7.454)	-1.380 (2.391)
RepeatDonor	**1.809*** ** (0.234)	-6.353 (16.465)	-63.531 (164.660)	**559.283*** ** (120.744)	**179.399*** ** (38.410)
USA	**0.034*** ** (0.010)	**1.15*** ** (0.221)	**1.154*** ** (0.221)	**1.228*** ** (0.225)	**0.394*** ** (0.073)
Germany	**0.083** ** (0.033)	**4.369*** ** (0.737)	**4.369*** ** (0.737)	**4.716*** ** (0.747)	**1.512*** ** (0.242)
UK	**0.185** ** (0.060)	**1.326*** ** (0.217)	**1.326*** ** (0.217)	**1.354*** ** (0.221)	**0.434*** ** (0.072)
Italy	0.000 (0.017)	-0.025 (4.910)	-0.025 (4.910)	3.145 (4.900)	1.008 (1.571)
Netherlands	0.105 (0.093)	-0.025 (0.846)	-0.025 (0.846)	0.432 (0.855)	0.139 (0.274)
South	0.168 (0.173)	-0.396 (12.909)	**-678.985*** ** (177.150)	42.081 (114.629)	13.545 (37.023)
East	-0.016 (0.180)	1.412 (13.698)	**-660.903*** ** (185.350)	-8.479 (120.654)	-2.716 (38.606)
West	0.203 (0.248)	-0.877 (16.951)	**-683.797*** ** (207.520)	91.958 (153.880)	30.252 (51.900)
Northeast	-0.545 (0.414)	45.410 (34.024)	-220.923 (361.220)	95.494 (258.861)	31.571 (88.195)
Delhi	0.252 (0.284)	**67.502*** ** (19.637)	0.000 (0.000)	**624.031*** ** (175.476)	**241.369** ** (80.812)
logAge	**0.692** ** (0.319)	25.175 (22.233)	251.749 (222.330)	**543.309** ** (195.291)	**174.275** ** (62.541)
OperationalAreas	-0.007 (0.016)	-0.019 (1.074)	-0.189 (10.740)	1.809 (9.837)	0.580 (3.155)
Biotech	-0.180 (0.163)	5.512 (13.291)	55.117 (132.910)	-44.734 (112.833)	-14.216 (35.514)
Agriculture	0.101 (0.144)	-12.567 (10.174)	-125.675 (101.740)	-80.981 (90.786)	-26.224 (29.687)
Food	-0.128 (0.143)	-0.559 (10.359)	-5.588 (103.590)	-32.421 (92.189)	-10.369 (29.396)
Land	0.237 (0.151)	0.928 (10.725)	9.277 (107.250)	65.080 (95.610)	21.071 (31.242)
Environment	**-0.387** ** (0.182)	3.035 (11.360)	30.349 (113.600)	-90.038 (104.076)	-29.439 (34.667)
_cons	**-0.821*** (0.712)	-19.025 (35.906)	-- --	**-996.094*** ** (291.695)	**--** --

Note: * Significant at 10%, ** Significant at 5%, *** Significant at 1%

Chapter 6

Conclusions

The objective of this thesis has been to identify factors of an NGO which may help to explain successful foreign funding campaigns. With two models having been developed and tested, the consistent results (in regards to statistical significance) between the two models gives some level of reassurance into the robustness and accuracy of the estimates. As such, the null hypothesis that foreign funding is a result of mass altruism is rejected as there are clear signs or selectivity criteria being employed by donors.

Revisiting the catalyst factor for this research, the GMO debates in India and whether foreign donations could account for a large enough segment of the average NGO's financial portfolio to possibly exhibit influence over the NGO's campaigns, the results of this thesis indicate weak support for such a notion. However, the Tobit and Heckman Selection models both indicate the most significant factor of a NGO's ability to receive money to be hard traits such as location of the business or customer satisfaction (repeat donor) rather than soft traits such as the operating focus of the NGO (sector variables) and how many locations the NGO's is working in (operational areas). The most interesting finding from these models was the presence of a significant negative beta coefficient attached to the sector specialization variable *environmental*. While it would be fun to say donors avoid environmental NGO's in favor of more progressive efforts such as anti-biotech campaigns; a strong argument could be made that environmental focused NGO's need less money to operate by nature and thus the findings from the Heckman Selection model may simply confirm such. The findings of this thesis only scratch

the surface with regards to possible underlying motivations and influence of donors over their recipients.

The literature review has identified several factors of charitable funding which would certainly be worthy of inclusion in these proposed models had the resources been available. Thus, this thesis was constrained by limitations in time and data availability. Although the FCRA returns provide an ample amount of financial data; the reporting format restricts the use of this information as it is highly scattered within. Additionally, the sample pool, while still large at n=719, was believed to have omitted nearly half of the NGO's from the screening procedure due to inconsistency in reporting by the NGO between the Indian NGO Partnership and the FCRA records. Furthermore, there is a possibility that the government may limit the NGO's ability to receive foreign funding; thus without an accurate estimation of this (potential) factor, the effect would be aggregated in the regression's error term. Lastly, this regression has attempted to model a donor decision process regarding foreign NGO's, yet NGO's receive donations from several different types of donors (Individuals, Institutions, Governments). Such a condition creates a limitation in modeling as each of these donor types are likely to utilize separate sets of judgmental criteria when selecting an NGO to give to.

Future research into the topic of the determinants of foreign funding should make use of survey implementation in order to gather more specific data related to those variables previously uncovered and referenced in the Literature Review. Additionally researchers should make use of computer programming in order to gather the disseminated financial information found in the organizations' FCRA filings. Such changes are likely to provide a more accurate modeling of the determinants of foreign funding to Indian NGO's. Additionally, a more

comprehensive model attempting to discern between different types of donors would likely produce a more accurate model. Lastly, a more standardized form of reporting and listing of NGO's operating within the borders of India would prove useful for researchers looking to further study the inner workings of Non-Governmental Organizations.

Appendix

Table A-1

Headquarter Location Coding	
STATE	**CODE**
Andaman and Nicobar Islands	S
Andhra Pradesh	S
Arunachal Pradesh	NE
Assam	NE
Bihar	E
Chandigarh	N
Chhattisgarh	N
Dadra and Nagar Haveli	W
Daman and Diu	W
Goa	W
Gujarat	W
Haryana	N
Himachal Pradesh	N
Jammu and Kashmir	N
Jharkhand	E
Karnataka	S
Kerala	S
Lakshadweep	S
Madhya Pradesh	W
Maharashtra	W
Manipur	NE
Meghalaya	NE
Mizoram	NE
Nagaland	NE
National Capital Territory of Delhi	D
Odisha (Orissa)	E
Puducherry	S
Punjab	N
Rajasthan	N
Sikkim	NE
Tamil Nadu	S
Telangana	S
Uttar Pradesh	N
Uttarakhand	N
West Bengal	E

Source: Author

Table A-2 **Correlation Matrix**

	DonorDollars	SectorCount	Repeat2006	USA	Germany	UK	Italy	Netherlands	North	South	East	West	Northeast	Delhi
DonorDollars	1.000													
SectorCount	-0.025	1.000												
Repeat2006	0.025	-0.073	1.000											
USA	0.275	-0.061	0.049	1.000										
Germany	0.565	0.007	0.038	0.038	1.000									
UK	0.585	0.031	0.021	0.128	0.727	1.000								
Italy	0.023	-0.017	-0.002	0.001	0.062	-0.004	1.000							
Netherlands	0.259	-0.053	0.064	0.497	0.188	0.223	0.018	1.000						
North	-0.037	-0.028	-0.033	-0.037	-0.021	-0.022	-0.011	0.004	1.000					
South	-0.031	0.027	0.080	0.027	-0.010	-0.012	0.064	-0.073	-0.333	1.000				
East	-0.056	0.066	-0.021	-0.013	-0.053	-0.038	-0.064	-0.004	-0.269	-0.491	1.000			
West	-0.012	-0.094	-0.013	-0.001	0.000	-0.011	0.000	0.022	-0.136	-0.248	-0.200	1.000		
Northeast	0.015	0.045	-0.081	-0.020	-0.003	-0.009	-0.021	-0.027	-0.074	-0.135	-0.109	-0.055	1.000	
Delhi	0.226	-0.054	-0.002	0.041	0.150	0.145	0.021	0.139	-0.110	-0.202	-0.163	-0.082	-0.045	1.000
logAge	0.054	0.005	0.090	0.084	0.014	-0.002	0.066	0.077	0.011	0.031	-0.059	0.064	-0.039	-0.017
Operationa~s	-0.010	0.031	0.028	-0.006	0.004	-0.013	-0.030	-0.016	0.017	0.040	0.012	-0.047	-0.032	-0.047
Biotech	-0.034	0.327	-0.146	-0.033	-0.044	-0.043	-0.054	-0.054	-0.066	0.024	0.055	-0.029	0.066	-0.065
Agriculture	-0.021	0.371	-0.009	0.016	0.061	0.033	0.016	0.039	0.002	-0.031	0.116	-0.035	0.015	-0.126
Food	-0.040	0.475	-0.132	0.009	-0.066	-0.015	-0.043	-0.053	-0.066	0.025	0.057	-0.050	0.110	-0.076
Land	0.043	0.432	0.030	0.020	0.047	0.078	-0.017	0.076	0.034	-0.021	0.009	-0.011	0.017	-0.025
Environment	-0.003	0.338	-0.094	-0.116	0.014	0.011	-0.091	-0.023	0.005	-0.027	0.069	-0.084	-0.024	0.034

	logAge	Operationa~s	Biotech	Agriculture	Food	Land	Environment
logAge	1.000						
Operationa~s	0.030	1.000					
Biotech	0.013	0.070	1.000				
Agriculture	0.053	0.060	0.219	1.000			
Food	-0.042	0.021	0.344	0.230	1.000		
Land	-0.003	0.017	0.319	0.129	0.235	1.000	
Environment	-0.020	0.027	0.108	-0.103	0.121	0.184	1.000

References

Alesina, Alberto and David Dollar. 2000. "Who Gives Foreign Aid to Whom and Why?" *Journal of Economic Growth* 5: 33-33-63.

Amos, Orley. 1982. "Empirical Analysis of Motives Underlying Individual Contributions to Charity." *Atlantic Economic Journal* 10: 45-45-52.

Andreoni, J., ed. 2001. *The Economics of Philanthropy*. London: Elsevier.

Arrow, K. 1972. "Gifts and Exchanges." *Philosophy and Public Affairs* 1 (4): 343-343-362.

Baily, A. and M. Bruce. 1992. "United Way: The Fallout After the Fall." *Chronicle of Philanthropy*: 2-2-6.

Batson, C. 1990. "How Social an Animal? the Human Capacity for Caring." *American Psychologist* 45: 336-336-346.

Bennet, R. and S. Savani. 2003. "Predicting the Accuracy of Public Perceptions of Charity Performance." *Journal of Targeting, Measurement, and Analysis for Marketing* 11 (4): 326-326-342.

Bougheas, Spiros, Alessia Isopi, and Trudy Owens. *How do Donors Allocate Funds to NGO's? Evidence from Uganda*. University of Nottingham: Centre for Research in Economic Development and International Trade.

Burnside, Craig and David Dollar. 2000. "Aid, Policies, and Growth." *American Economic Review* 90 (4): 847-847-868.

Cann, A., S. J. Sherman, and R. Elkes. 1975. "Effects of Initial Request Size and Timing of a Second Request on Compliance: The Foot in the Door and the Door in the Face." *Journal of Personality and Social Psychology* 32: 774-774-782.

Cialdini, Robert and K. Ascani. 1976. "Test of a Concession Procedure for Inducing Verbal, Behavioral and further Compliance with a Request to Give Blood." *Journal of Applied Psychology* 61: 295-295-300.

Clary, E. and M. Snyder. 1991. "A Functional Analysis of Altruism and Prosocial Behavior: The Case of Volunteerism." *Review of Personality and Social Psychology* 12: 119-119-148.

Collard, David. 1978. "Altruism and Economy: A Study in Non-Selfish Economics." *The Economic Journal* 89 (355): 681-681-683.

Cutlip, Scott M. 1980. *Fundraising in the United States: Its Role in America's Philanthropy*. New Brunswick, New Jersey: Transaction Publishers.

Davis, M., J. Hull, R. Young, and G. Warren. 1987. "Emotional Reactions to Dramatic Film Stimuli: The Influence of Cognitive and Emotional Empathy." *Journal of Personality and Social Psychology* 44 (1): 113-113-126.

Edwards, Michael. 1999. "NGO Performance - what Breeds Success? New Evidence from South Asia." *World Development* 27 (2): 361-361-374.

Fafchamps, Marcel and Trudy Owens. 2008. *The Determinants of Funding to African NGO's*. Vol. 4/1/2008 ESRC Global Poverty Research Group.

Fraser, Cynthia, Robert Hite, and Paul Sauer. 1988. "Increasing Contributions in Colocitation Campaigns: The use of Large and Small Anchorpoints." *Journal of Consumer Research* 15: 284-284-287.

Frey, Bruno S. and Schneider Friedrich. 1986. "Competing Models of International Lending Activity." *Journal of Development Economics* 20: 225-225-245.

Frisch, M. and M. Gerrard. 1981. "Natural Helping Systems: A Survey of Red Cross Volunteers." *American Journal of Community Psychology* 9: 567-567-579.

Glaser, John S. 1994. *The United Way Scandal: An Insiders Account of what Went Wrong and Why*. New York: Wiley Publishing.

Grounds, J. and J. Harkness. 1998. "Developing a Brand from within: Involving Employees and Volunteers when Developing A New Brand Position." *Journal of Nonprofit and Voluntary Sector Marketing* 2 (4): 179-179-184.

Harvey, J. W. and K. F. McCrohan. 1988. "Fundraising Costs: Societal Implications for Philanthropies and their Supporters." *Business and Society* 27 (1): 15-15-22.

Humphreys, Brad. 2013. *Dealing with Zeros in Economic Data* University of Alberta.

Indian Intelligence Bureau. 2014*. Concerted Efforts by Select Foreign Funded NGO's to 'take Down' Indian Development Projects*: Ministry of Home Affairs.

Jones, Andrew. 2000. "Health Econometrics: The Handbook of Health Economics." In . Vol. 1, 265-265-344: Elsevier.

Krebs, D. 1982. "Altruism: A Rational Approach." *The Development of Prosocial Behavior*: 53-53-77.

Krebs, D. and P. Whitten. 1972. "Guilt Edged Giving: The Same of it all." *Psychology Today* January (5).

Levis, Wilson. 1990. "Increased Giving by Investing More Money in Fund Raising Wisely." *The Philanthropic Monthly* (April/May).

Lindahl, Wesley and Aaron Conley. 2002. "Literature Review: Philanthropic Fundraising." *Nonprofit Management & Leadership* 13 (1): 91-91-112.

List, John A. 2011. "The Market for Charitable Giving." *Journal of Economic Perspectives* 25 (2): 157-157-180.

McDonald, John F.; Moffit, Robert A. (1980), "The Uses of Tobit Analysis", *The Review of Economics and Statistics* (The MIT Press) **62** (2): 318–321, doi:10.2307/1924766

McKinley, R. D. and R. Little. "The US AID Relationship: A Test of the Recipient Need and the Donor Interest Models." *Political Studies* 27: 236-236-250.

Mount, J. and F. Quirion. 1988. "A Study of Donors to a University Campaign." *The Philanthropist* 8 (1): 56-56-64.

Mowen, John and Robert Cialdini. 1980. "On Implementing the Door-in-the-Face Compliance Technique in a Business Context." *Journal of Marketing Research* 17 (2): 253-253-258.

Pieper, E. 1975. "What Price Charity?" *Exceptional Parent* 5 (1): 35-35-40.

Reddy, Prashant. 2013. *Foreign Funding of NGO's*. web: Open The Magazine.

Sargeant, Adrian. 1999. "Charitable Giving: Towards a Model of Donor Behavior." *Journal of Marketing Management* 15 (4): 215-215-238.

Sargeant, Adrian, J. B. Ford, and D. C. West. 2003. "The Perceptual Determinants of Charity Giving." *Service Industries Journal* 24 (6): 19-19-36.

Sargeant, Adrian and J. McKenzie. 1998. *A Lifetime of Giving: An Analysis of Donor Lifetime Value*. West Malling: Charities Aid Foundation.

Sargeant, Adrian, D. C. West, and J. B. Ford. 2001. "The Role of Perceptions in Predicting Donor Value." *Journal of Marketing Management* 17: 407-407-428.

Sargeant, Adrian and Lucy Woodcliffe. 2007. "Gift Giving: An Interdisciplinary Review." *International Journal of Nonprofit and Voluntary Sector Marketing* 12: 275-275-307.

Saxon, Joe. 1995. "A Strong Charity Brand Comes from Strong Beliefs and Values." *Journal of Brand Management* 2 (4): 211-211-220.

Stroebe, W. and B. Frey. 1982. "Self Interest and Collective Action: The Economics of Psychology of Public Goods." *British Journal of Social Psychology* 21: 121-121-137.

Tapp, A. 1996. "Charity Brands: A Qualitative Study of Current Practice." *Journal of Nonprofit and Voluntary Sector Marketing* 1 (4): 327-327-336.

Teegen, Hildy, Jonathan P. Doh, and Sushil Vachani. 2004. "The Importance of Nongovernmental Organizations in Global Governance and Value Creation: An International Business Research Agenda." *Journal of International Business Studies* 35 (6): 463-463-483.

Walker, C. and C. Pharoah. 2002. *A Lot of Give*. London: Hodder and Stroughton.

Warwick, M. 1994. *Raising Money by Mail: Strategies for Growth and Financial Stability*. Berkeley, California: Strathmoor Press.

Weyant, James and Stephen Smith. 1987. "Getting More by Asking for Less: The Effects of Request Size on Donations of Charity." *Journal of Applied Social Psychology* 17 (4): 392-392-400.

Wray, R. 1994. "Branding, Product Development and Positioning the Charity." *Journal of Brand Management* 1 (6): 363-363-370.