



PROBLEMS OF RUSSIAN NON-PROFIT ORGANIZATIONS EFFICIENT FUNCTIONING

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ABSTRACT

This article analyzes the problems of financing existing non-profit organizations. In the course of this analysis, the relevance of the problem under consideration is determined, the dynamics of NPOs operating in the Russian Federation are examined, main sources of NPOs activities financing are identified, and the structure of their budget formation is analyzed. Current work also identifies main problems interfering with the effective functioning of NPOs and suggests measures to eliminate those problems.

Keyword: Non-Profit Organizations, Financing, Sources, Grants, Donor Funds.

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1. INTRODUCTION

The relevance of this topic is determined by the fact that the importance of non-profit organizations, which are an integral part of the public sector, is currently showing significant growth. This is due to the fact that the main purpose of the functioning of this type of organizations is not making a profit, but creating social and public goods. The main problem hindering the smooth development of the activities of non-profit organizations is insufficient funding [1].

Civil society is one of the foundations of the constitutional system of the Russian Federation. Article 1 of the Constitution of the Russian Federation proclaims Russia as a constitutional democracy. In the development of this norm, Article 3 of the Constitution of the Russian Federation establishes the only source of power – the multinational people, who exercise their power directly (through referendums and free elections), and through government bodies and local governments [2]. Along with this, Article 13 of the Constitution of the Russian Federation establishes the foundations for the functioning of the basic institutions of civil society and democratic principles for the creation and functioning of a

political system: ideological diversity, rejection of a single ideology and a prohibition of the mere existence of a state and (or) mandatory ideology.

2. MATERIALS AND METHODS

In accordance with the Federal Law of January 12, 1996 No. 7-FZ (as amended on December 19, 2016) “On Non-Profit Organizations”, a non-profit organization is an organization that does not have profit generation as the main goal of its activity and does not distribute the profit gained among the participants [3]. The financing of non-profit organizations is also regulated by the above law, according to which “... state and local authorities in accordance with the powers established by this Federal Law and other federal laws may provide economic support to non-profit organizations” [3].

Based on the principle of ideological diversity (Article 13 of the Constitution of the Russian Federation), public associations have the opportunity to participate in the political life of the country. This contributes to a more complete realization of democracy in the country, provides the involvement of new groups of the population in political activities, and to the formation of legal political opposition and multiparty system.

Figure 1 shows the dynamics of the number of non-profit organizations in the period from 2014 to 2017.

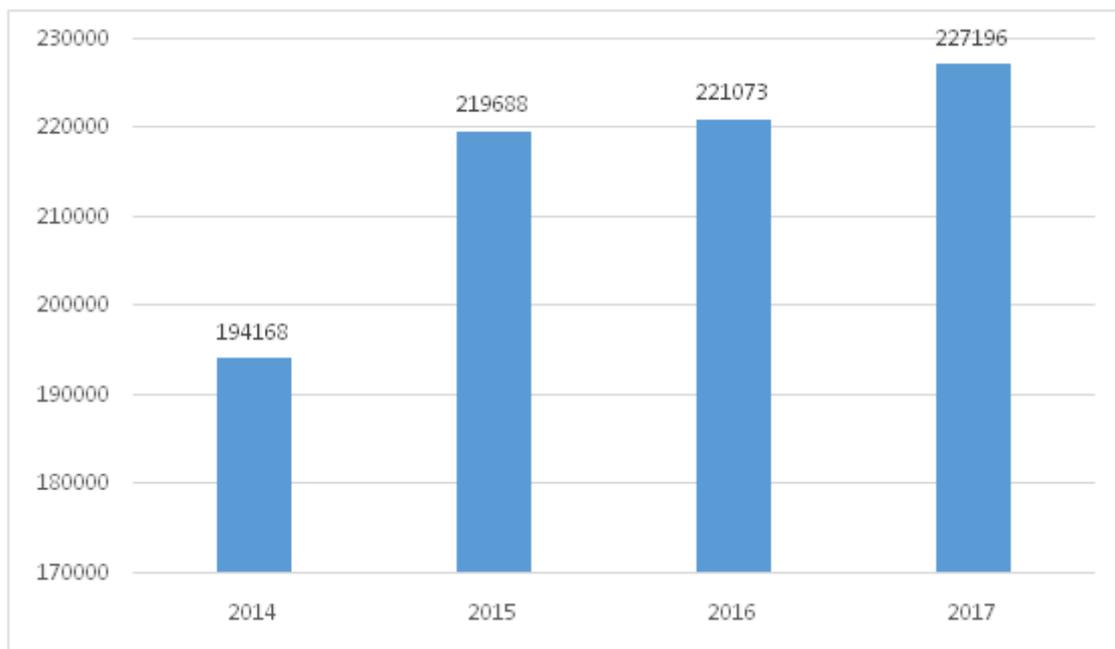


Figure 1. The number of non-profit organizations in the Russian Federation [4]

Figure 1 shows that in 2017 compared to 2014 the number of non-profit organizations located in the Russian Federation increased almost 1.2 times. This trend indicates the need for the development of these organizations and their successful functioning.

There is a problem resulting from lack of financial resources and lack of assistance from local authorities, which all non-profit organizations face – interaction with international funds, when a non-profit organization has set itself the economic component (receiving a grant) as the main goal of the activity, while social and cultural foundations, for the sake of which they were actually created, fade into background. The organization has to not only coordinate its plans in accordance with the goals of international grant-giving companies, but also engage in business activities.

In relations with government bodies, the activities of non-profit organizations (NPOs) are formed from below, and power and commercial structures, as a rule, are connected at the stage of implementation of a specific project, giving permission to carry it out or allocating the necessary funds.

Considering the cooperation of NGOs with each other, partnerships are established here as long as they face the same tasks. Typically, the team of NPO employees is small, with each organization aiming to solve problems at the location of its operations, but the most advanced organizations are united in Unions or in larger NPOs (all-Russian, regional, etc.) and work together. The NPOs are generally united by the similar issues they work with. The goal of such a union is to make NPO feel as a force, and the opportunity to solve existing problems on a larger scale and more efficiently. The result of such union is the creation of resource centers, which expands material and financial base. Small NPOs when united have more opportunities to implement programs. However, the cooperation may interfere with the ambitions of their leaders and lead to an unhealthy competition to receive funding [5].

But the most important problem is that the general public is ignorant of the NPOs activities. A systematic presentation of information is required in order for citizens to know about the work being done by public organizations [6] – regular columns in newspapers, on television and radio programs. Naturally, the difficulties emerge at this stage.

An important problem for NPOs is to attract volunteers.

The development of the situation shows that non-profit organizations already have the necessary basic knowledge and contacts to enable them to carry out this activity. But it is so far at the initial stage of development. Therefore, there is a need to develop a strategy for the development of organizations focused on attracting human resources [7-8].

Summarizing all the above, it is necessary to allocate these issues in several groups.

The first group of issues is connected with legislative regulation of NPOs.

1. There is no legal foundation for interaction between state authorities and NPOs.
2. The mechanism of the participation of NPOs in lawmaking is not codified by law, therefore legislative initiatives and proposals of NPOs are not always considered and taken into account.
3. Systematization of legislation that regulates the activities of NPOs is necessary (maybe in the form of a set of laws or NPO code).
4. There is an issue of taxation of NPOs grants and incomes received from business activities and then directed to the implementation of statutory non-commercial activities.
5. There is an issue of legislative regulation of access to information by NPOs. There is also a corresponding problem of social partnership and interaction.
6. There is an issue of legal regulation of volunteering.
7. The concept of "social partnership" (meaning the partnership between the authorities and NPOs) is not regulated by law, and the mechanisms for developing and implementing social programs are not defined.
8. Social services standards are not developed and not approved.

The second group consists of private or industry issues.

1. Absence of systematic approach to solving problems.
2. Lack of coordination between associations, duplication.
3. Low political and social activity of the population.
4. Information barriers.

For the successful implementation of their activities, non-profit organizations need to engage in active search and attract additional sources of funding. The main financial

institutions, from which the organizations in question can receive money, are presented in Figure 2.

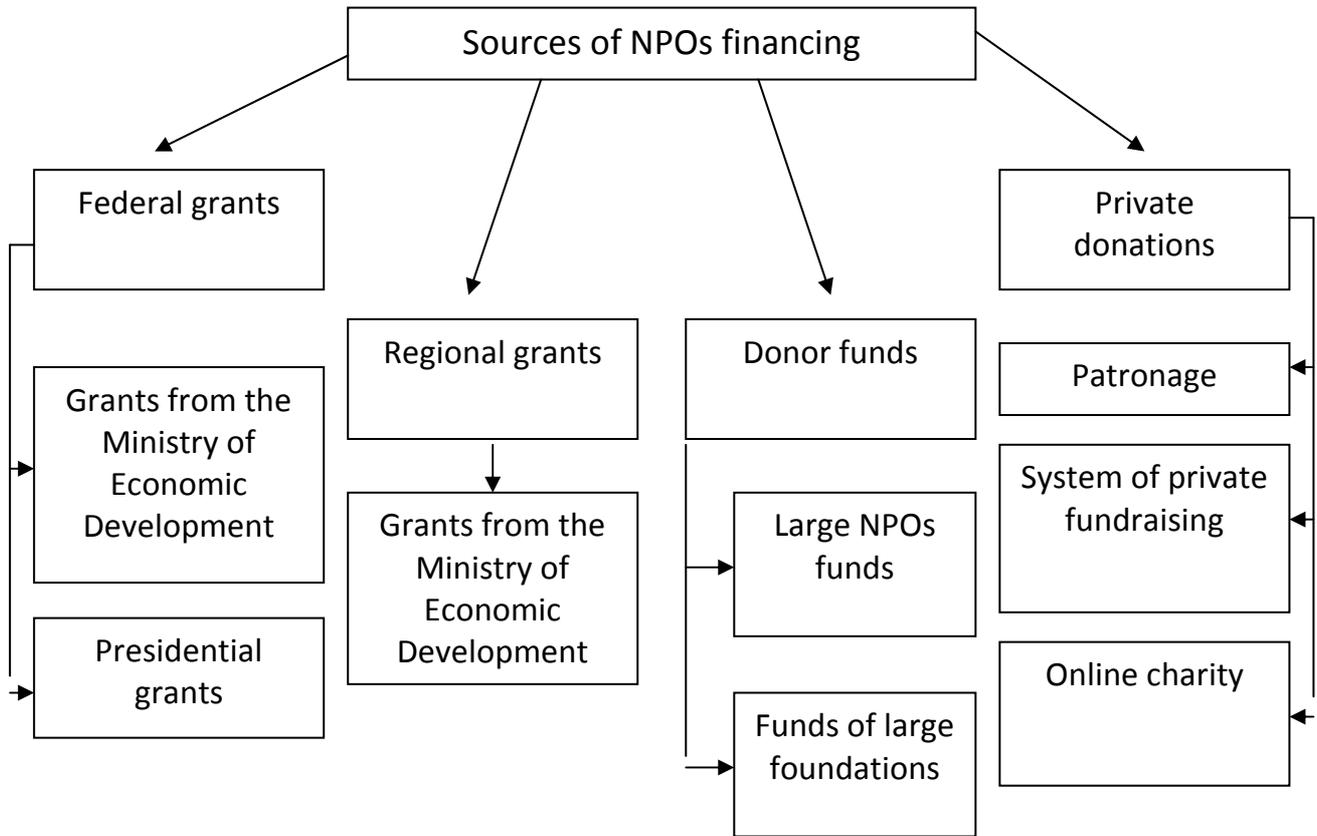


Figure 2. Sources of financing NPOs [9]

The greater the number of funding sources organization has, the more stable is its position [10-11]. In order for the activity of NPOs to be effective, it is necessary to have an organization among the sources of funding that will cooperate with NPOs for a long period of time. As practice shows, there are many NPOs financial sources classifications. Each organization applies different types, the financial means of which form its budget [12].

Figure 3 shows the structure of NPOs budgets.

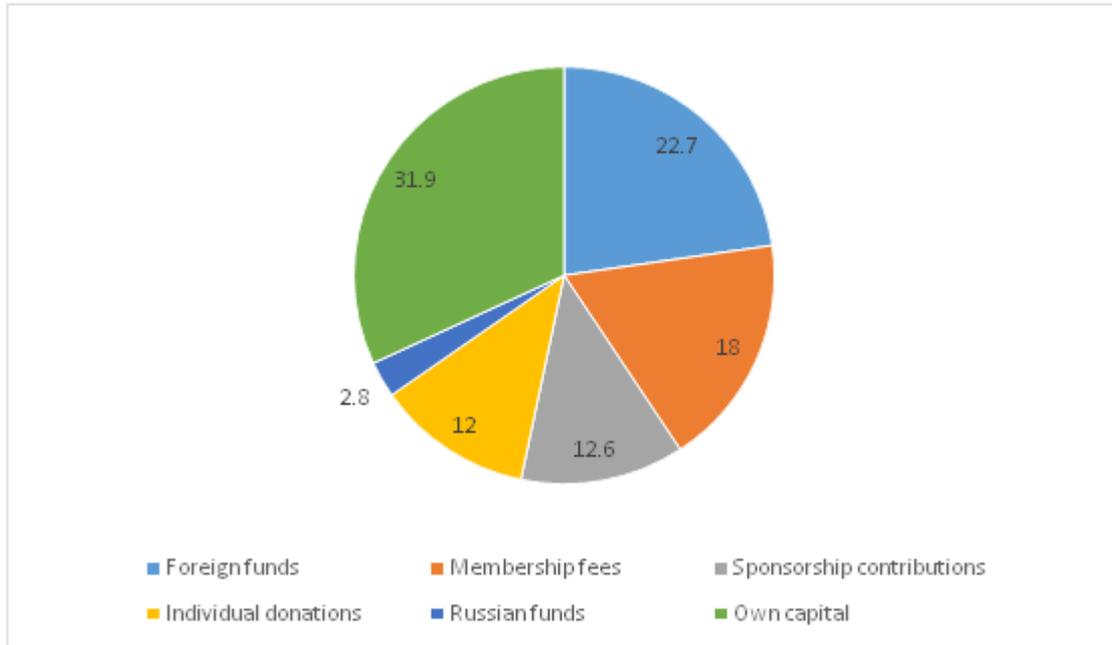


Figure 3 The structure of NPOs budgets

Figure 3 shows that most of the NPO budget consists of the organization's own capital. 22.7% of the budget is financed by foreign funds. Membership fees account for 18% of NPO budget. At the expense of sponsorship contributions, 12.6% of the budget was financed. Individual donations in the NPO budget have a share of 12%. 8.9% of the budget is covered by state funding sources. Means of Russian funds are only 2.8%.

Based on Figure 3, it can be concluded that the state is not very actively involved in the development of NPO activities, which is a big issue, since it is an institution with two important qualities in financial cooperation – guarantee and reliability [4; 9].

3. RESULTS

Among the most significant reasons hindering the construction of effective forms of NPOs are:

- Disunity, inconsistency of actions organizations of the third sector take in the development of parameters of partnerships with the state.

- the imperfection of the system that measures the contribution of the third (voluntary) sector to the socio-economic development of the country, which leads to an underestimation of the NPOs role as a full-fledged subject of partnerships at the state level.

Currently, non-profit organizations need to fight for government funding. The efforts made in this struggle do not always give the desired result. This is due to the fact that the receipt of funds from the state is preceded by strict selection in the form of a competition, winning which guarantees a grant for the NPOs development. This selection involves the following steps [13]:

1. NPO applies for the competition;
2. Documents describing the activities of NPOs (reports, certificates, copies of certificates) are collected;
3. Documents package processing;
4. Applications are verified by the competition committee;
5. Winners are defined.

The winners of the competition are those NPOs that have put forward a project that meets all the criteria of the competition program. During the selection process, the competition commission eliminates those organizations that did not provide the full package of necessary documents. Consequently, even the most interesting and useful for society project may not receive government funding.

4. DISCUSSION

NPOs are well developed in today's Russia, and it can be said that they are advancing to a new qualitative level right now, moving on to active interaction with local authorities and uniting to ensure more productive operations. The most active representatives of NPOs interact with local authorities, especially with social issues departments. The process of establishing horizontal links between NPOs that work on similar problems is underway nowadays [14].

An important role in the formation of the budget and the functioning of NPOs is played by private donations, which, in addition to financial support for the problems of NPO activities, involve people in solving various public issues. Working with people also helps to attract volunteers, donors, partners, employees, which is very important and useful for any NPO activity.

In order to solve the identified NPO financing issues, the following activities are proposed:

- Development of socially significant and interesting projects;
- Active participation in competitions for state grants;
- Improving the professional level of employees;
- Open declaring of cash receipts;
- Maintain accountable and transparent schemes.

It is assumed that the use of the above methods will contribute to an increase in financial revenues from the state, population and other types of sources of financing the NPOs activities and, consequently, will increase the efficiency of their functioning.

The problems of NPOs are mostly due to the imperfection of legislation and the lack of information about non-profit organizations. The internal problems of the organization do not differ in any constructive way from the problems of public and private enterprises. The main ones are lack of money, excessive regulation, lack of coordination between associations, duplication, low political and social activity and information barriers [15].

5. CONCLUSION

Therefore, it is worth noting that the problem of financing the activities of NPOs is of great importance for their functioning. This is due to the fact that this kind of organization does not have a large amount of profit to allow carrying out its activities at the expense of equity. For this reason, NPOs need to attract external sources of funding, although the process is rather complicated.

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