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## ACCOUNTABILITY, MANAGEMENT AND ORGANIZATIONAL APPROACH TO CHILDREN'S HOMES IN INDIA: AN ANALYTICAL STUDY OF MYSURU CITY IN KARNATAKA

**RASHMI M  
STUDENT**

**DEPARTMENT OF MANAGEMENT & COMMERCE  
AMRITA SCHOOL OF ARTS & SCIENCES  
AMRITA VISHWA VIDYAPEETHAM  
AMRITA UNIVERSITY  
MYSURU CAMPUS  
MYSURU**

**B. GURUDATT KAMATH  
ASST. PROFESSOR**

**DEPARTMENT OF MANAGEMENT & COMMERCE  
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### ABSTRACT

*A non-governmental organization (NGO) is an organization that is neither a part of a government nor a conventional for profit business. Usually set up by ordinary citizens, NGOs may be funded by governments, foundations, businesses, or private persons. Thus, to have a fund the accountability is important for the funders. The purpose of this study was to examine the sources of funds and the practices of accounting records of a few orphanages located in the Mysuru City. Through the systematic and proper accounting practices, the orphanages could prove its accountability and satisfy the funders. The orphanages were selected through the convenience sampling technique. Through the analysis, it is concluded that the main source of income is through public donations and the orphanage management has maintained their book-keeping through the simple list of income and expenses.*

### KEYWORDS

orphanages, accountability, financial, funds, funders.

### JEL CLASSIFICATION

L3, L31.

### INTRODUCTION

The three main sectors in economic structure are Private, Public and Non Government Organizations (NGOs). A group of people come together to form a non-government organization which is not connected with the government of any country. Usually the non-governmental organizations do not aim at making profits - that is, they are trying to do something other than make money for the people who run them. Government funding of NGOs is controversial, since, according David Rieff, writing in *The New Republic*, "the whole point of humanitarian intervention was precisely that NGOs and civil society had both a right and an obligation to respond with acts of aid and solidarity to people in need or being subjected to repression or want by the forces that controlled them, whatever the governments concerned might think about the matter." Orphanage is one of the NGO which provides services in the interest of the Orphans. The term NGO was officially brought into being with the passing of Resolution 288 (X) by the United Nations Economic and Social Council on the 27th February 1950. Orphanage is not a new concept to the world. The history of orphanages in India goes back to 1850s. Orphanages are non-profit or charitable organizations that are dedicated to the welfare of the abandoned and destitute children in India. Studies say that India is home to the maximum number of kids who are under 18 years of age and this stands for 41% of the overall population of the country. What is more worrying is that approximately 4% of this population in the country or 20 million children are orphans. These orphanages in the country receive donations from different sources to run their social welfare activities and the donors, trustees are interested to know the usage of funds. Hence, the purpose of this study is to identify the orphanages organizational structure, sources of funds and practices of book-keeping and financial reporting as issues related to the accountability of the orphanages management.

### DEFINITION OF ORPHAN

A child who is below 18 years of age and who has lost one or both parents may be defined as an orphan. Maternal orphan is referred to a child who has lost their mother and paternal orphan is referred to a child who has lost their father. Social orphans are children who are living without parents because of abandonment or because their parents gave them up as a result of poverty, alcoholism or imprisonment, etc.,

### ORPHANS IN INDIA

The number of orphans in India stands at approximately 55 million children of age 0 to 12 years, which is about 47% of the overall population of 150 million orphans in the world (GCM India; UNICEF, 2005). India is the world's largest democracy with a population of over a billion people, of which 400 million are children. Approximately 18 million of this number of children live or work on the streets of India, and majority of them are involved in crime, prostitution, gang related violence and drug trafficking; however, a large number of these children are orphans.

### REVIEW OF LITERATURE

Suraiya Ishak. (2012) in the article title "Managerial Accountability: A Review through Orphanages' Financial Record Practices" has mentioned an orphanage is a Non for profit organization where the orphans are taken care. The orphanages should take care of maintaining the financial records such as income and expenses account and balance sheet which have to be audited and reported to its funders to have a track of the utilization of funds and where the Orphanages can gain confidence of the donors. One of the ways to communicate the management's accountability and performance to stakeholders is through a true and fair accounting record and reporting.



Zahir Uddin Ahmed. (2001). Has mentioned NGOs are civil society actors that provide services beyond the purview of the state, they advocate for the poor and facilitate their mobilization, promote freedom in politics and the market, and help to make the state more accountable. BRAC has created an example for both Government and the private sector by providing welfare services and creating a healthy competition. The successful control mechanisms, learning, trusts, visionary leadership quality and dynamisms help BRAC to ensure accountability and transparency to its fullest extent.

Alnoor Ebrahim. (2003) this paper examines how accountability is practiced by nongovernmental organizations (NGOs). Five broad mechanisms are reviewed: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits. Each mechanism, distinguished as either a "tool" or a "process," is analyzed along three dimensions of accountability: upward-downward, internal-external, and functional-strategic. It is observed that accountability in practice has emphasized "upward" and "external" accountability to donors while "downward" and "internal" mechanisms remain comparatively underdeveloped.

J.G. Townsend, & A.R. Townsend. (2006) has examined a managerial revolution through which specific governments sought to control costs and increase governability in the public sector has been extended to NGOs, North and South, so that significant overlaps may be found. In exploring some ethical issues involving NGOs North and South, we find that many arise from this managerial revolution and from very uneven accountability. Problems discussed include negative outcomes of the audit culture, transparency and legitimation. Misrepresentation by donors and NGOs, conceivably on ethical grounds, faces academics with complex choices. Pareena G. Lawrence, & Sheila Nezhad. (2009) in their study have analyzed that variety of transparency-improving techniques applicable to small and large organizations that can range from very formal reporting techniques to face-to-face transparency reporting. In addition to outlining these transparency techniques, the results reveal varying degrees by which NGOs and government work together.

Dipankar Datta. (2010) in his study argues that placing children front and centre in development programmes should be the key element of response to diverse vulnerabilities of Orphans and Vulnerable Children (OVC). This effort should be complemented by strengthening families, supporting collaborative action within communities, and securing the human capital of rising generations.

Karen A Froelich, (1999) has examined the profiles are drawn upon to anticipate potential advantages and disadvantages of increasingly diversified revenue strategies employed by nonprofits to combat resource dependence. The potential interaction effects raise critical but unanswered questions about nonprofit performance, legitimacy, and public policy issues.

Jacobi, J. (2009) Orphanage is not a new concept to the world. According to Jacobi (2009, p. 57), a large group of orphanages was founded in Europe during the sixteenth or early seventeenth century to provide education and assist the orphans in their transition into adulthood. Orphanages have been recognized as successful institutions in relation to orphans' upbringing since the early modern years. They have offered majority of the needy children with the opportunities to grow and to cope successfully with the norms and expectations of the world around them (Jacobi, 2009, p. 64). Meanwhile, the philanthropic-based effort has been receiving various aids and financial supports from the public now and then. Hence, the purpose of this study was to identify orphanages' practices of book-keeping and financial reporting as issues related to the accountability of the orphanages management.

Saunah, Z, & et al., (2010) study revealed that there are variations in reporting practices among the Malaysian tax-exempt charitable organizations. This is due to the minimum regulatory requirement and the absence of reporting standards, which were established for the NFP financial reporting in Malaysia. As explained according to Section 14(d) of the Societies Act 1966 (Act 335) and Regulations, the organizations registered under the Registrar of Societies (ROS) must submit Form 9 that consists of the Statement of Receipts and Payments of the previous financial year and a balance sheet of the respective year to the ROS within 60 days after its annual general meeting. However, the accounts are not necessarily be audited by the external auditors. Other statements which supplement the financial statement, such as the cash flow statement, statement of changes in general fund and notes to accounts (containing significant accounting policies and other explanatory notes) are also not required to be submitted by ROS. Moreover, the study found that only 18/37 or 49% of the NFPs submitted their Statement of Receipts and Payments, together with the Balance Sheet to ROS, as required by the Societies Act 1966 (Act 335) and Regulations. The contributions of this study lie on its' emphasis on the orphanage institutions, whereby study had focused on various tax-exempt charitable organizations in Selangor. The primary data contributes to an understanding of orphanages operations and its financial aspect, as well as the practices of accounting record/reporting processes.

Susan R. Bernstein, (1991) study reports the findings of one of the few studies to examine how administrators in nonprofit agencies manage contracted services. The analytic framework for explaining and describing managers' experience is their primary metaphor: contracted services as a game.

Vakil, A. C. (1997) study reviews alternative definitions of NGOs and proposes some causes of the classification problem and outlines past efforts to classify NGOs and, based on this, presents a classification framework that focuses on two types of descriptors: essential and contingent.

Fernando, J.L. & Heston, A. (1997) has explained the colonization by European powers of much of the South brought missionary groups whose activities can be seen as prototypical NGO ventures in education, health service provision and agricultural development. They included both 'welfarist' and 'empowerment' approaches to community work.

Chowdhury, R.R. (1997) in his study a decision-based framework is centered on the users of information. A framework developed upon accountability, on the other hand, focuses on the relationship between the provider and the users of information. A framework which is decision based has a relatively restricted scope for examining the information provided and utilized because it assumes that user groups' information requirements are somewhat pre-specified (e.g. by law and other regulatory bodies). An accountability-based framework, on the other hand, has a wider scope for it does not restrict itself to specific users or their information needs.

## STATEMENT OF THE PROBLEM

The accountability of economic information is very much important to any of the organization. The maintenance of economic information related to average monthly expenses, utilization of funds is important for the orphanages as it has received attention from the public. This is because the resources are limited and it has to be utilized efficiently and effectively and the funders are interested to know the usage of the funds.

## OBJECTIVES

- To study the organizational structure of the children homes.
- To know the sources of funds and application of funds.
- To study the current practices of accounting and reporting in selected Orphanages.

## RESEARCH METHODOLOGY

In order to support the subject of the article- data, facts and information were collected. The methodologies used to collect the information are referring research publications, interviews with experts, surveys and other research techniques. Also, includes both present and historical information.

The study focused on three Orphanages in Mysuru city. The primary data was collected through interview asking certain questions. Both Kannada and English languages were used for better communication while interviewing.

## RESULTS

Table shows the basic details of the selected orphanages.

As shown in the Table, the orphanage A is established by NGO. In case of orphanage B, it is a religion based orphanage which provides shelter and food for the economically weak students, or who have one parent between the ages 16 to 22 years. Whereas in case of Orphanage C it is individually owned and children are bought up till the age of 18 years. These children are brought from slums, road sides, orphans or have one parent. Orphanage A is a foreign owned and children are bought up till the minimum age of 18 years. In case of girls till they go for job and settle.

TABLE 1: THE DETAILS OF CHILDREN'S HOMES

Orphanage	Year of establishment	Founder
A	2008	NGO
B	1992	Individual (Religion Based)
C	1896	Individual

#### SOURCES OF FUNDS AND EXPENSES

Table is concerned with the information related to sources of funds and average monthly expenses.

As stated the main sources of funds are public donations. The funders are combination of individuals and corporate sector which provide 2% of their profit to have a reduction on their tax payment. In case of orphanage B and orphanage C, they do not accept funds from corporate sectors. Orphanage A is receiving fund under the CSR initiative. The expenses include from the basic needs to the schooling. In some orphanage they are providing extra tuitions for the students who are weak in studies. Some children's home has received the premises has the donations for their operations. Other homes are self-owned.

Meanwhile, a majority of the orphanages are facing deficit of funds. Where the average monthly expenses vary from Rs. 1,50,000 to Rs. 2,50,000. The expenses include the groceries or food expenditure, cloths, schools, tuition fees, and orphanage maintenance; because of money deficit the expenses are bare by their personal sources. Where in some orphanage the funds are collected from the foreign and sent to the orphanage. In some of the orphanages, they are not receiving the funds from foreign sources as there is a lengthy formality to receive the funds.

TABLE 2: SUMMARY OF SOURCES OF FUNDS AND EXPENSES

Orphanage	Sources of Funds	Premises	Average Monthly Expenses (Rs.)
A	Society, Corporate entities, Director's friends, Foreign Donors	Donated by the People in that area	2,50,000
B	Trustees, Founder, Society	Self- owned Building	1,80,000
C	Society, Rents from surrounding shops, Donations, Foreign Donors, Studied Student in their NGO	Self- owned Building	1,50,000

#### FINANCIAL RECORD PRACTICES

Table shows the responses for the list of questions from the questionnaire for the maintenance of financial accounting practices.

Financial record plays a important role in any of the businesses and as well as in orphanages as they have to show the, in detail expenses to their funders and to have a track record of their incomes and expenses. From the observation it has been found that the orphanages are not been maintained under the specific accounting standards and procedures. They are maintaining the Income and expenditure account which shows the sources and application of funds. They have to maintain these records to have a control over their expenses. Some of the orphanage did not want to prepare the balance sheet to show their financial positions. One orphanage is publishing their annual report in their websites, where the public can have a access of the annual report or financial records. The other two orphanages are not publishing and it is accessible only by the committee members.

In terms of communication of financial report, the orphanage sends their financial report to their donors if they have asked so. Two of the orphanages are sending the report to their donors, and where one orphanage is not sending their report. As specified above it will be sent only if they have asked so.

The orphanages such as, two of them are auditing their financial reports by the external auditor. One orphanage claimed that they have internal auditor with the accounting skills. None of the orphanages are benefited by the government aids. No orphanages are charged tax and they are exempted by the tax.

TABLE 3: SUMMARY OF FINANCIAL RECORD PRACTICES

No.	Items	Yes	No	Sometimes
1	Financial Report preparation	3	-	-
2	Systematic financial record is maintained	3	-	-
3	Have individual to maintain Organization's accounting record	3	-	-
4	Every year the financial report is sent to the donors	2	1	-
5	Accounting records are kept for verification for outsiders	1	2	-
6	Financial records are audited by external auditor	2	1	-
7	Obtain any tax exemption	3	-	-
8	Receive Government aids	-	3	-

#### DISCUSSION

The most important factor concerned with the orphanages is to maintain the funds which are available. This consists of maintaining the good relationship between the orphanage management and the funders. This can be maintained through continuous communication with the funders about the expenses and with the proper maintenance of the accounting records. This results in the trust on the orphanages which will increase the donation intention. The financial record allows the funders or stakeholders to evaluate the orphanage's performance and the position.

According to the Societies Act 1960

"On or before the fourteenth day succeeding the day on which the annual general meeting of a society is held, there shall be filed with the Registrar a list of the names, addresses and occupations of the members of the governing body then entrusted with the management of the affairs of the society and a copy of the balance sheet and income and expenditure account audited by a person who under section 226 of the Companies Act, 1956 (Central Act 1 of 1956), can act as an auditor of companies registered in the 1 [State of Karnataka]"

As the orphanages are not maintaining the proper records of the expenses the funders are not getting the proper information about the performance of the orphanages. The systematic record maintenance helps in effective and efficient use of the available resources as well as the misuse of the funds by the individuals. In conclusion, as the orphanages have been established for good and generous purpose, it is important for them to maintain the systematic accounting record to have a accountability and to have a confidence of the funders.

#### IMPLICATIONS AND RECOMMENDATIONS

The main role of the government is to provide the social benefits to its citizens. The orphanages are helping out the government in their role. So, the orphanages need to have the systematic organizations to increase their community support capacity.

Therefore, some of the financial aids should be provided to comfortable the financial burden of the funders. The government may allocate some funds to the orphanages to compensate the operational expenses bared. For this purpose, the government may allocate the special funds for the orphanages. To allocate the special funds government may impose strict requirement of the systematic financial record or the standardized financial report. As a result, the corporate sectors may also include the orphanages under the corporate social responsibility (CSR) program.

#### LIMITATIONS AND SUGGESTIONS

This study is based on the convenience sampling techniques due to the difficulty of obtaining the co-operation from the children's home or orphanages. The orphanages showed some degree of cynic to disclose the information. Thus, the number of samples (three entities) included in this study was respectively less. So, the future study should include more number of orphanages. Anyhow, this limitation does not affect the study as it is illustrative and promote the future explorations.

Future studies may also include the assessment from the funders and direct assessment of the entities' financial report. These efforts can be done only if the orphanages are maintaining the proper financial records as well as funders' details and allowing the researchers to allow it to access.

## CONCLUSION

This study attempted to know the sources of funds and expenses and its utilization. It also conducted to know the maintenance of the financial record practices. The study also could be conducted in the perspective of the funders, operators and the governing body. This study also assessed the practice of maintaining the financial records in the orphanages and its importance. The additional funds can be raised through the proper communication of the accountability of the management with the funders. The management's accountability and performance can be communicated to the funders through the true and fair accounting record and reporting.

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## APPENDIX

### NGO Questionnaire

1. How long has your organization been in existence?
2. What are the key elements of your organization's mission and vision?
3. Does your organization have a website or brochure available?
4. How many Children are there currently?
5. Please generally mention the socio-economic background of the Children?
6. Till what age the Children are taken care?
7. What all activities are taken up in the orphanage? (Food, Shelter, School)
8. Children are given education in the orphanage or sent outside institute?
9. Is the orphanage is government or private?
10. Please indicate the organizational structure.
11. Do you have more than one unit?
12. If yes. Please provide particulars.
13. What are your primary funding sources? (Public, Government, Foreign, CSR)
14. How funds are utilized?
15. Do you get funds under CSR initiative?
16. An orphanage premise is owned by self/ others?
17. What is the average monthly expense?
18. Do you prepare financial report?
19. How frequently the financial report is prepared?
20. Do you maintain systematic financial record?
21. Hire individual to maintain organization's accounting records.
22. Is the financial report is sent to the donors every year?
23. Do the financial report is kept for verification to the outsiders?
24. Have external audit has been done?
25. Are you enjoying any tax exemptions?
26. Do you receive any government aids?

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