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DIFFERENT SOURCES OF FUNDING FOR NON-PROFIT ORGANIZATIONS

Goolbahor Abdusattarovna Karimova[1],
Nematullayev Bekmirzo Bozorboy o'g'li[2]
[1]PhD, Associate Professor, Head of Agribusiness and Marketing
[2]Student, Andijan Institute of Agriculture and Agrotechnologies

ABSTRACT
A non-profit organization attracts various types of resources to ensure successful and effective work. The multidimensionality of funding sources allows non-profit organizations to remain independent of either the state or business. The article considers the whole range of funding sources, identifies the advantages and disadvantages of each of them and the degree of their availability.
KEYWORDS. *non-profit organization, funding sources, charity, entrepreneurial activity.*

INTRODUCTION

In the modern world, there are many opportunities for financing the activities of non-profit organizations. However, many non-profit organizations are having difficulty securing liquidity. In this regard, the problem raised in this article is of scientific and practical interest for the third sector of the economy.

A non-profit organization may attract one or another source of funding, depending on the organizational and legal form; types of activities provided for by the charter; features of its budgetary policy; business opportunities. The position of the organization is the more stable, the more diverse the sources of funding.

According to the frequency of funding, one-time, periodic and current funding is allocated. One-time funding is often associated with special events in a non-profit organization, such as the opening of a branch office or the start of a major project. Periodic funding is based on episodic events (eg annual mass event, purchase of office equipment). It can be either regular or irregular. Current funding requires continuous fundraising. It is interconnected with established infrastructure that requires ongoing maintenance (eg staff salaries, rents, utility bills).

Main part. Funding sources can also be classified by the duration of the capital provision or the freezing of funds. Term funds, as opposed to perpetual funds, are available to the organization for a limited period of time. By term, the following types of financing with certain time horizons are distinguished:

- Short term - Duration is less than a year.
- Medium term - duration of funding from one to five years.
- Long-term - longer than five years

The number of possible financing instruments in the non-profit sector is immense. So financing instruments by origin of capital are divided into internal and external financing. With external financing, funds are sent to a non-profit organization from third parties (individuals or legal entities). With internal funding, the funds come from the organization itself. As a rule, external sources of financing make up the prevailing share in the revenue structure.

There are four main external subjects of financing:

1) the state (bodies of state power and local self-government)
2) business or corporate community
3) private (natural) persons
4) international and domestic funds

Public funding is provided in such forms like:

1) Direct budget financing, which is allocated to individual programs, priority areas in the form of targeted subsidies
2) Paid provision of services within the framework of the state

orders — through contracts, grants
3) Co-financing

Government and local governments can also provide non-monetary resources in the form of letters of support, recommendations, premises, or transportation. Public authorities finance: socially useful projects, image for the state; projects with a large number of beneficiaries or projects that produce results quickly. Local governments prefer to allocate funding for projects targeted at the population of the local territory.

Direct budget financing is one of the sources of income for non-profit organizations. However, regularly receiving subsidies from the state budget, non-profit organizations may not be interested in development. In most Western countries, the use of this form of financing has been significantly reduced.

The state order is issued by state bodies and paid from the state budget for the manufacture of products, work, and services in which the state is interested. It is issued on a competitive basis and represents financing on the basis of an agreement and for a specific result. This form of financing stimulates competition for budget funds from non-profit organizations. State resources are realized on a competitive basis through the provision of grants and the conclusion of contracts.

Co-financing is understood as a system of mixed financial participation, and such a financing scheme, according to which each monetary unit of private assistance is accompanied by the allocation of a certain amount of state assistance. A significant advantage of this financing scheme is that the non-profit sector is financed not only by the state, but also stimulates the inflow of private investment into the third sector, and socially responsible business develops. Co-financing in our country is on the way of development, while in the UK it has been widely used since the 80s of the twentieth century.

In accordance with the trend, it has been fixed: the less the interest of politics and administration in solving problems, the lower is the stimulation and funding of activities. However, it is not always easy to determine what exactly is "interest" for the state.

One of the well-known subjects of funding are domestic and international foundations that provide grants for specific, well-defined purposes. The grantor determines the conditions under which he provides a grant, the intended use of which the grantee confirms documented in the form of a report. When seeking funding, non-profit organizations need to take into account the limitations that each foundation has: mission and target group of the foundation, geographic region, type of recipients, type of support, amount of funding and duration of the project.

The interaction of the business community with non-profit organizations in our country is not yet developed. The share of income from commercial structures in the total income of a non-profit organization is negligible. There are the following types of financial support from the commercial sector:

– Direct financing of an organization / project in the form of charitable assistance or donations,
- Payment of part of the costs of ongoing activities,
– Provision of working hours for their employees (corporate volunteering),
– Provision of own services, products / equipment or premises free of charge.

Most companies do charity work in pursuit of economic benefits: improving the image in society, demonstrating social responsibility, advertising their product in order to increase its sales, attracting new employees. Commercial organizations are engaged in sponsorship, based on the marketing strategy. Sponsorship - promotion of the company in exchange for advertising and publicity. The sponsor evaluates the effectiveness of investments in terms of brand awareness, the number of consumers who received information about the sponsor. Sponsorship participants are two parties: a company that provides funds / goods / services, and a non-profit organization that receives them in exchange for certain privileges. Companies act as sponsors in order to promote and develop their own business. They sponsor a non-profit organization as long as it suits their purpose.

Sponsorship and socially oriented marketing are new means of reaching out to the buyer, as the media is saturated with information and people do not perceive it in the way that companies would like. Sponsorship is currently the fastest growing method of marketing communication in the world.

In Russia, one of the promising areas is socially oriented marketing, which is very popular in the world, especially in the United States. Socially oriented marketing (cause-marketing) is the strategic promotion of a company in order to increase sales and strengthen its market position through a set of activities that, among other things,

support a non-profit organization. There are three parties involved in social marketing: business, non-profit organization, and individuals.

In the US, as early as the 1990s, sponsorship and socially oriented marketing became part of a company's long-term marketing strategy. In Russia, they are a relatively new phenomenon.

Currently, Russia is developing the pro bono service from lat. pro bono publico - for the public good), which is provided free of charge by private practitioners and law firms to charitable, public and other non-profit organizations, as well as individuals who cannot pay for such assistance. Pro bono practice is widespread in the United States of America and Great Britain. For example, in the United States, law firms that have signed the Declaration of Pro Bono Principles provide approximately 60 to 100 hours of free legal assistance per lawyer per year.

In Germany, over the past decades, banks have appeared whose activities are partly or wholly aimed at advising and financing non-profit organizations. Some only environmental projects, etc.

As a rule, non-profit organizations are served free of charge in banks and freely receive loans at low interest rates. In the CIS countries, the situation is radically different: banks very rarely issue loans, as they do not recognize the grants, subsidies and donations received by non-profit organizations as a guarantee of creditworthiness. The cost of servicing non-profit organizations in the bank is equated to commercial companies.

A relatively undeveloped source of funding in the CIS countries is assistance from individuals (citizens of countries, foreign citizens and stateless persons), which can be expressed in the form of cash donations, donations in the form of property, transfer of property by will, transfer of property for use by a non-profit organization (usually from its members and participants).

Individuals tend to donate small sums of money. The number of people who donate repeatedly is much less than those who donate for the first time. The motivating factors are: the belief that a donation will improve the situation; some donate on emotion; others are concerned about the fate of the organization. Individuals prefer to donate to organizations whose activities are aimed at helping disabled children, orphans, poor elderly people; environmental organizations.

Non-profit organizations receive donations through the sale of charitable products (badges, postcards), organization of charity events or events, mailing lists, targeted charity bank accounts, SMS service or the Internet, donation boxes installed in hypermarkets.

Currently, the main tools for supporting non-profit organizations are crowdsourcing and crowdfunding, the essence of which is the financing and non-material support (transfer of knowledge, contacts) of socially significant tasks by people who donate money to projects, usually via the Internet. Crowdfunding pools monetary resources, while crowdsourcing is voluntary work towards a common goal. This source of funding is now popular in Europe. As a rule, cultural projects are financed in this way.

In practice, external sources of funding can be classified according to the ease of raising funds as follows:
Among the most accessible sources of financing for attracting, we can single out the support provided by legal entities and individuals. A for-profit company is willing to support a non-profit company if their goals are the same. In the case of support from individuals, non-profit organizations do not need to collect documentation and write applications, they just need to find the target audience that would be interested in implementing the projects and activities that the organization has. People who donate money to the organization are primarily interested in the development of its projects, the result is important to them. As a rule, some of them donate not only money, but also time, if they care about the fate of the project or organization. Public funding is not so easy to obtain: it is necessary to prepare a large amount of documentation, as well as to draw up an application for funding that would first of all satisfy the goals of state support and would be comparable to the statutory goals.

The second component of cash receipts are: internal revenues, which include entrance and membership fees; founders' contributions; proceeds from the sale of goods and services; income received from the lease of property of a non-profit organization (premises, equipment, etc.); interest on deposit accounts; income from deposits; operations with securities; income from special charitable events.

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Entrance and membership fees can be one-time or periodic receipts from the founders (members, participants) of a non-profit organization. The size, terms and order of proceeds from the founders (members, participants) are determined in the constituent documents.

According to Article 31 of the Law of the Republic of Uzbekistan "On Non-Governmental Non-Commercial Organizations" dated April 14, 1999, "A non-governmental non-profit organization, in accordance with the law, may engage in entrepreneurial activities within the limits corresponding to its statutory goals." Entrepreneurial activity helps to more fully realize the mission of the organization, it contributes to the fulfillment of current obligations that arise almost daily for any non-profit organization, thereby improving its image in the eyes of counterparties. After all, external financing is relatively unstable, and an organization may experience financial insolvency when some projects have already ended, while others have not yet begun, or funding is delayed for them, while monthly expenses such as: utility bills, rent, payment for the use of communication facilities and the Internet, banking services, etc. Recently, it is very difficult to attract external financing for such expenses, but no legal entity exists without them. Another difficulty is expressed in the fact that non-profit organizations receive subsidies and grants in part or in full only after the completion of the project, so many are forced to refuse these external sources.

Prerequisites for doing business can be the following:

- the mission for which the non-profit organization was created can be more successfully implemented;
- attracting new sources of funding can expand the activities of a non-profit organization that does not contradict the Charter;
- the organization will become financially independent if it does not have an additional source of funding;
- The organization will be able to attract new employees by expanding the staff or create incentives for existing employees through the provision of permanent employment and salary increases. As a rule, in a non-profit organization, employees are employed on a part-time basis strictly in accordance with existing projects;
- Some organizations own conference rooms, equipment that can generate income by renting it out.

Funds that are at the disposal of a non-profit organization can be invested if the donor (grant giver or donor) does not prohibit. The basic principles of investing include profitability or profitability, return and liquidity. When making a decision to invest, a non-profit organization must take into account the urgency and riskiness of investments. A deposit or term deposit in a bank has a lower return and risk compared to investing in the securities market. In turn, in the securities market, shares of medium and small companies have the highest return and risk, while government bonds have the lowest. Some banks now also offer investment products, such as brokerage, mutual funds and trust management, which increase investment opportunities in financial markets. In general, non-profit organizations in the event of cash reserves give priority to investing available funds in deposits than in securities. Non-profit organizations may resort to investing if they have funds for the implementation of projects that will not be used for several months. When investing, it is necessary to take into account legal restrictions.

CONCLUSION

Summing up the structural content of both external and internal sources of funding, sponsorship, socially oriented marketing, pro bono services, crowdsourcing and crowdfunding should be singled out as new opportunities for attracting funding for the CIS countries, which will undoubtedly develop in the coming years. Another new way of financing the activities of non-profit organizations for Russian practice is the formation of endowment capital, which is formed from three sources: donations, property received under a will, unused income from endowment trust management. As a long-term source of funding, endowment reduces dependence on one-time donations, which leads to the financial stability of the organization. This method of financing is mainly aimed at supporting education.

To successfully attract and expand the availability of funding sources in the CIS countries, it is necessary to implement the following areas:

— creation of socially-oriented banks that would work directly with non-profit organizations,

— the establishment of tax incentives at the state level for businesses that are ready to stimulate the development of non-profit organizations.

The presence of a fundraiser and a financial manager on staff, whose tasks include attracting appropriate sources of funding from all multidimensionality, is the main condition for ensuring the smooth operation of the organization.

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