

Understanding Donor Pre-Grant Assessment: Institutional & Financial Due Diligence

Layout of Presentation

1. **Donor Landscape: Funding India's Future.** Where the money is, and where it is headed.
2. **Overview, Rationale & Process.** What due diligence is, why donors do it, and how the process unfolds.
3. **Institutional & Financial Due Diligence.** The two pillars donors examine before committing a grant.

Part 1: Donor Landscape

India's Social Sector Is Growing Fast, But the Funding Gap Is Growing Faster

- **INR 27L cr:** Total social sector funding in FY25, projected to reach INR 50L cr by FY30
- **INR 18L cr:** Projected funding gap by FY30 vs. NITI Aayog norms, up from INR 16L cr in FY25

- **INR 1.43L cr:** Private philanthropy in FY25, about 5% of total funding, growing 9 to 11% annually
- **20 to 25%:** CAGR private giving would need to sustain to stop the gap from widening further

What this means

Public spending will keep dominating funding flows, but private philanthropy, where NGOs have the most direct influence, needs to grow faster than it currently is.

Families contribute about 42% of all private giving in India

Personal philanthropy from UHNIs, HNIs and affluent individuals, plus CSR from family-owned/run businesses, together form the backbone of private capital, making family relationships the single highest-leverage funding channel.

Source: India Philanthropy Report 2026, Bain & Company and Dasra

Public Spending Still Dominates: Private Capital Remains the Underused Lever

Social sector funding (INR lakh crore)

Year	Public sector	Private sector
FY20	13	1
FY25E	26	1
FY30P	47	3

- Public spending accounts for about 95% of total social sector funding and is growing at 13% CAGR, led by healthcare and education.
- Private spending/giving (family philanthropy, CSR, retail, foreign) accounts for 5 to 7% of the total, forecast to grow more slowly (9 to 11% CAGR) than the sector needs.
- Even with strong public growth, the mismatch with NITI Aayog-recommended demand keeps widening.

Private Capital: Family Philanthropy and CSR Are the Largest and Most Accessible Sources

India's Private Funding by Segment, FY25E

Segment	Amount	Share
Retail	43k	30%
Family philanthropy	39k	27%
CSR	37k	26%
Foreign	24k	17%

Fastest-Growing Donor Cohorts (FY25 to 30 CAGR)

- **UHNI giving: 23 to 25%.** Expanding UHNI base, mega-donations, and democratization of large-ticket giving. Estimated to be 9 to 11% of total private giving in 2030 (82k both, i.e. family philanthropy).
- **HNI & affluent giving: 12 to 14%.** Rising investable wealth and growing formalization of family philanthropy. Estimated to be 23 to 25% of total private giving in 2030.
- **Retail / digital giving: 9 to 11%.** UPI and crowdfunding fueling a 25 to 30% rise in NGO donations. Estimated to be 28 to 30% of total private giving in 2030 (75k).
- **CSR: 8 to 10%.** GDP growth and more firms crossing statutory CSR thresholds. Estimated to be 23 to 25% of total private giving in 2030 (63k).

Family Giving Is Diversifying, Professionalizing, and Increasingly Led by

Women

- **63%** of families have women leading their philanthropic efforts
- **49%** of families have inter-gen or now-gen leaders anchoring giving decisions
- **66%** of families now employ dedicated staff, enabling structured governance
- **35%** of families now fund GEDI causes, up from a legacy focus on education & health alone

Where Families Give Today (%)

Cause	%
GEDI	35
Climate action	28
Livelihoods	27
Ecosystem strengthening	7

Ecosystem strengthening (funding NGO capacity, networks & infrastructure) has the fastest growth in future aspiration (+36 percentage points), signaling rising family interest in capacity-building support, not just program funding.

Source: India Philanthropy Report 2026, Bain & Company and Dasra

CSR Capital Is Concentrated and Unevenly Distributed Across States

Where the money flows

- **Private-sector CSR spend:** about 67% from family-owned/run firms; about 33% from other private firms
- **Family-owned CSR spend:** about 52% from the top 2 to 3% of firms; about 48% from other family firms

Reading the funnel: of all private CSR, roughly two-thirds flows through family-owned firms, and within that group, just the top 2 to 3% account for over half the capital (see Implication).

Implication

A small set of large family businesses (Tata, Ambani, Jindal, Birla, Bajaj, Adani, Premji) drive an outsized share of CSR capital. Direct relationships with these houses and their foundations are disproportionately valuable.

Opportunity: NGOs working in Bihar, UP, Jharkhand and Meghalaya can make a strong, differentiated equity case to CSR and family funders looking to diversify their geographic footprint.

Source: India Philanthropy Report 2026, Bain & Company and Dasra

CSR Per Capita Tends to Be Higher in Wealthier (GSDP) States

There is an opportunity to redirect capital toward high-MPI, low-CSR regions to maximize social impact.

- The chart plots private CSR spend per capita FY24 (INR) against GSDP per capita FY24 (INR) for each state, coloured by Multidimensional Poverty Index (MPI). A lower MPI score denotes lower multidimensional poverty. Bubble size indicates the number of registered companies in that state with positive CSR spends.
- Punjab and West Bengal emerge as outliers, with a relatively large number of registered companies but lower per-capita GSDP and CSR spending.

Notes: GSDP is gross state domestic product; MPI measures simultaneous deprivations across health & nutrition, education, and standard of living. Values are illustrative reconstructions of the source chart. Sources: Ministry of Statistics and Programme Implementation; NITI Aayog National MPI 2023 Progress Review; UIDAI State/UT-wise Aadhaar Saturation; MCA Portal; Bain-Dasra analysis

Three Forces Could Unlock INR 1.25 to 1.35L cr of New Philanthropic Capital by FY30

A. Domestic family wealth

Family offices have grown 7x since 2018 (45 to 300+), signaling more structured, professionally advised giving, and a shift toward long-term, governed partnerships with NGOs.

B. The Indian diaspora

About 34 million strong, with remittances up 14% CAGR (FY21 to 25). Diaspora giving is moving beyond cheques toward trust-based support combining funding with time, skills and networks.

C. Asian philanthropic hubs

As global aid declines about 10 to 18%, hubs like Singapore, Hong Kong and the UAE are professionalizing philanthropy. India's metros already have credibility; the task is to extend it further.

Together, these forces mark a formative window for India's philanthropic ecosystem. The imperative is to build durable infrastructure (advisory capacity, giving vehicles, governance, intermediaries) that channels this capital effectively, including to NGOs beyond metro cities.

Source: India Philanthropy Report 2026, Bain & Company and Dasra

Five Ways Indian NGOs Can Position for This Shift

1. **Professionalize governance & reporting.** Families and family offices increasingly demand structured governance and evidence-backed outcomes before committing multi-year support.
2. **Court family philanthropy directly.** Families drive about 42% of private giving. Building direct relationships with family offices and next-gen leaders is now a core fundraising channel.
3. **Lean into emerging causes.** GEDI, climate action, livelihoods, arts & heritage, animal welfare and ecosystem strengthening are gaining traction beyond legacy education/health funding.

4. **Target underfunded geographies.** High-MPI states (Bihar, UP, Jharkhand, Meghalaya) are underfunded relative to need, a strong pitch for CSR and family funders diversifying footprint.
5. **Engage the diaspora as partners, not just donors.** Diaspora givers increasingly want to contribute time, expertise and networks alongside capital. Invite them into advisory or governance roles.

Source: India Philanthropy Report 2026, Bain & Company and Dasra

Part 2: Overview, Rationale & Process

What Is Donor Due Diligence?

Donor due diligence, also called pre-grant assessment, is the structured process a donor uses to verify that an NGO is legally compliant, financially sound, well governed, and capable of delivering the results it proposes, before releasing a grant.

Literal meaning: the required carefulness to avoid harm or loss. It is not an audit of wrongdoing. It is a risk-management step that protects both the donor's funds and the NGO's own credibility for future funding.

Who conducts it

- Bilateral & multilateral agencies: EU, UN bodies etc.
- Foundations & trusts: domestic and international grant-makers
- Corporates (CSR): companies covered under Section 135
- Intermediary / re-granting NGOs: passing funds to smaller partners

For donors

De-risks capital: confirms funds reach a legally compliant, well-run entity and will be used as proposed.

For NGOs

A strong track record of passing due diligence builds a reputation, the single biggest lever for winning and renewing larger, multi-year grants.

Why Donors Conduct Due Diligence

1. **Mitigate fiduciary risk.** Reduces the risk of fund misuse, diversion or mismanagement by verifying financial systems and controls in advance.
2. **Ensure legal & regulatory compliance.** Confirms the NGO is legally registered and compliant under various Indian laws.
3. **Assess alignment & delivery capacity.** Establishes whether the NGO's activities fit what the donor can fund, and whether it has the governance, staff and systems to deliver.
4. **Remove bias in decision-making.** Creates a documented basis for a transparent and accountable partnership that can scale over multiple funding cycles.

The Due Diligence Lifecycle

1. Desk Review
2. Legal & Governance
3. Financial Review
4. Programmatic Assessment
5. Site Visit
6. Risk Rating & Decision

Each stage narrows the field: organisations exit the pipeline at the point when they fail minimum thresholds, so early stages are deliberately quick and low-cost for both sides.

Typical duration: 6 to 12 weeks, depending on donor size, grant value, and whether this is a first-time or repeat relationship.

Stage 1: Desk Review & Pre-Screening

A rapid paper check against minimum eligibility thresholds. The majority of applicants are screened here before any deeper review begins.

What is reviewed

- Registration certificates and validity dates: 12A, 80G, FCRA, CSR-1 certificates
- Basic mission-fit with donor's funding priorities
- Past grant history and any prior adverse action by donor
- Website, annual report, and public disclosures

Typical outputs

- Go / no-go decision within 1 to 2 weeks
- Shortlist of eligible organizations
- Initial risk flag (low / medium / high)
- Proceed with full application if shortlisted

Stage 2: Legal & Governance Assessment

Confirms the NGO is a legitimate, properly constituted entity with governance structures capable of independent oversight.

Documents examined

- Trust deed / MoA & bylaws / AoA
- Board composition, R&R which demonstrates compliance through meeting minutes etc.
- Other statutory registrations, filing history of statutory compliances under all applicable laws

Governance checks

- Board independence and diversity
- Conflict-of-interest and related-party policies
- Frequency and quorum of board meetings
- Delegation of financial authority

Stage 3: Financial Due Diligence

Tests whether the organisation can responsibly receive, account for, and report on grant funds at the proposed scale.

Records reviewed

- Audited financial statements (3 years)
- Income & expenditure statement, balance sheet
- Bank statements and reconciliations
- Budget vs. actual for recent grants

Systems assessed

- Accounting software and chart of accounts
- Internal financial controls and segregation of duties
- Procurement and payment approval process
- Statutory audit and regulatory filing track record

Stage 4: Programmatic & Impact Assessment

Evaluates whether the NGO's technical approach, team, and track record can plausibly deliver the results proposed.

Evidence requested

- Theory of change / logical framework
- Past project reports and evaluations
- Beneficiary reach and outcome data
- Staff details and organisational capacity

Capability checks

- Monitoring & evaluation systems in place
- Data collection and quality-assurance methods
- Partnerships and local stakeholder relationships

- Ability to scale within the proposed timeline

Stage 5: Site Visit & Interviews

Verifies on-paper claims against reality, a decisive step for medium and large grants.

Who is met

- Founder / Executive Director and senior staff
- Board members (where feasible)
- Finance and programme teams
- Beneficiaries and community stakeholders

What is verified

- Physical presence at stated project locations
- Key financial and program records
- Sample beneficiary interviews and record checks
- Culture, staff morale, and safeguarding practices

Stage 6: Risk Rating & Funding Decision

Findings from every stage are consolidated into a single risk rating that determines funding terms and monitoring intensity.

Decision inputs

- Consolidated findings notes across all stages
- Weighted risk score against matrix
- Recommended grant conditions and safeguards
- Sign-off by grants committee

Possible outcomes

- Approved: standard terms and reporting

- Approved with conditions: phased disbursement
- Deferred: resubmit after remediation
- Declined: does not meet minimum threshold

Part 3: Institutional & Financial Due Diligence

Two Pillars of Pre-Grant Due Diligence

Institutional Due Diligence

Is the organisation legitimate, well governed, and capable of delivering the programme?

- Constitutional: legal registration & compliance
- Statutory registrations (12A, 80G, FCRA) & compliance
- Governance & board composition
- Mission alignment
- Policies & procedures
- Programmatic track record & M&E systems
- Visibility

Financial Due Diligence

Can the organisation be trusted to receive, manage and report on donor funds accurately?

- Audited financial statements: state of financial health
- Statutory auditor report
- Internal financial controls
- Budgeting & planning
- Grant management
- Banking arrangements
- Accounting systems

- Risk & fraud management

Institutional Due Diligence 1:

Constitutional

a. Permitted legal forms

- Public charitable, charitable-cum-religious or religious organisation as per Indian law: society, trust, or Section 8 company
- Each type of entity has its own unique features, but applicable laws like Income Tax, FCRA and Labour laws treat them uniformly
- Mere constitution does not entitle an entity to benefits like tax exemption or FC receipts, unless registration and compliance with specific laws is ensured

b. Registration / incorporation documents

- MOA & Rules and Regulations for a society
- Trust deed for a trust
- MOA and AOA for a Section 8 company
- These documents are the charter, rules and procedures for running the entity

c. Mandatory provisions to check in constitutional documents

- Name, state, geography, objects, liability, property
- General body, governing body, BOT, BOD
- Powers and duties
- Accounts, banking, audit
- Amendment, dissolution; irrevocability (for a trust)

Why this matters

- It is very important that constitution documents are complete. Gaps here surface repeatedly at each stage of due diligence.

d. Registration with the appropriate authority

- As per statute and state procedure: sub-registrar or charity commissioner for a trust deed (the deed, not the trust, is registered)
- Registrar of societies, or as prescribed, for a society
- ROC for a Section 8 company: Section 8 licence and COI
- Knowing your registration number and date is crucial

e. Modifications to incorporation documents

- Compliance for such modification is required under multiple laws: the constitution-related authority, Income Tax, FCRA etc.

f. Renewal of registration

- As may be required by state law, applicable mainly to the society form in several states

g. Vintage of the organisation

- The organisation's age and track record matters to donors while evaluating credibility

Institutional Due Diligence 2A: Statutory Registration: Income Tax

Understanding ITA 2025 is imperative: Chapter XVII-B, Special Provisions for Registered NPO

Registered Non-Profit Organization (RNPO)

Any person having a valid registration under any specified provision of the Act, where such registration has not been cancelled.

Who can be an RNPO

Public Trust, Society, S8 Co, Recognised University/educational institution, institution financed wholly/partly by Government, entities in Schedule III Sl. No. 36 (Sec. 10(46) under ITA 1961), Schedule VII (Sl. 17 to 19: Govt-financed universities, medical institutions or institutions with gross

receipts up to Rs. 5 cr p.a.)

"Charitable Purpose": Section 2(23)

- Relief of the poor
- Education
- Yoga
- Medical relief
- Preservation of environment (watersheds, forests, wildlife)
- Preservation of monuments, places or objects of artistic/historic interest
- Advancement of any other object of general public utility

Religious purpose is not separately defined, unlike under ITA 1961.

Types of Registration/Approval for RNPO under ITA 2025

1. **Non-approval entities.** Erstwhile Section 10(23C)(iiab to ae) non-approval entities now sit under Schedule VII, Table Sl. No. 17 to 19. Approval entities under Section 10(23C) merged into 12A.
2. **12A/12AB registration.** Erstwhile Section 12A/12AB registration for tax exemption is now under Section 332.
3. **Bodies created by Govt & Scientific & research institutions.** Erstwhile Section 10(46) notified bodies move to Schedule III (Sl. No. 36); Section 35 R&D deduction moves to Section 45.
4. **80G(5) donor deduction approval.** Erstwhile Section 80G(5) approval for donations to certain funds and charitable institutions is now under Section 354.

Other Provisions: Key Provisions & Registration Forms

Key provisions

- Prohibition on commercial activity for RNPOs under first six limbs unless incidental to the object; for general-public-utility (GPU) object, commercial activity must advance GPU and is capped at 20% of total receipts
- 85% utilization threshold of income for availing full tax exemption remains
- Books of Accounts, Audit, filing of ITR & permitted modes of investments

Forms to know & compliances

- Provisional registration/approval: Form 104 (earlier 10A); approval in Form 106 (earlier 10AC) for 3 years
- Renewal, provisional-to-regular, fresh registration (never registered earlier), modification of objects: Form 105 (earlier 10AB); approval in Form 107 (earlier 10AD). Registration for 10 years for NGOs whose income in 2 tax years prior to application is 5 cr, otherwise 5 years. Approval only for 5 years under Section 354 (80G)
- Strict timelines for filing forms; if filed late, condonation is needed to proceed

Institutional Due Diligence 2A: FCRA: Recent Updates (OG of June 2026)

Key functionary: standard/uniform definition

- Includes director in a company, partner in a firm, trustee, Karta of an HUF, office bearer, member of the GB/MC or other controlling authority of a society, trust, trade union, AOP. Also covers any person with control over, or responsibility for, management of the association

Restriction on foreign nationals

- An association having foreign nationals (other than of Indian origin) as key functionary will ordinarily not be considered for registration or prior permission, barring an exception granted by the Central Government

Minimum activity for continuation of registration

- Minimum FC spend of Rs. 10 lakh on 'reasonable activity' in the past 2 financial years in decision to cancel or deny renewal of registration

Scope of registration: purpose & geography

- NGOs must specify purpose/activity (from 105 listed activities across 5 CEERS objects under Schedule: Purposes for Registration) and the state/UT of operations, for registration

and change

- Existing registered entities have one year (up to 21.6.2027) to select specific purposes and states/UTs via Form FC-6F with fees, subject to approval

Institutional Due Diligence 2A: CSR

CSR: Applicability & Implementation

Who must comply

- A company falls under Sec. 135 of CA 2013 if turnover $\geq$ Rs. 500 cr, net worth $\geq$ Rs. 100 cr, or net profit $\geq$ Rs. 5 cr: outlay of 2% of average net profit of the past 3 years, on Schedule VII activities
- CSR Policy (LAP), CSR Committee, CSR projects (one-time/standalone and ongoing)
- Unutilised CSR outlay must be deposited within 30 days into an Unutilised CSR bank account

Implementation & exclusions

- Mode of implementation: an NPO with 12A and 80G registration, a 3-year track record, and CSR-1 registration
- Impact assessment required as per CSR outlay and size of project
- Exclusions in CSR: employee welfare, activities in the ordinary course of business, in-kind support, corpus contributions, and activities outside India (except sports training)

CSR: Revamped eCSR Form & the ZCZP Instrument

Revamped eCSR-1 Form (July 2025)

- Adds email ID OTP verification and period of incorporation as fields
- ZCZP (Zero Coupon Zero Principal instrument) added to Schedule VII of CA 2013 in May 2026
- Companies (CSR Policy) Amendment Rules 2026 (May 2026) lay down ZCZP modalities for companies and NPOs

ZCZP: for company & listed NPO

- Company can subscribe to ZCZP to fulfil CSR obligation up to 10% of total CSR outlay in a FY. Not required to (a) undertake impact assessment for that expenditure, (b) obtain a CFO utilisation certificate for ZCZP amount or (c) have its Board monitor implementation of the ZCZP-funded project
- NPO-ZCZP duration should not exceed 3 succeeding financial years from the year of issue

Proposed Amendments to CSR (Companies Amendment Bill 2026)

Status

- The Companies Amendment Bill 2026 is with the Joint Parliamentary Committee before it is taken up by Parliament to become law

Key proposals

- Raise the net-profit trigger for Section 135 coverage from Rs. 5 cr to Rs. 10 cr
- Mandate an expert on CSR within the CSR Committee
- Make a CSR Committee optional where the CSR obligation is up to Rs. 1 cr (up from Rs. 50 lakh presently)
- Extend the deposit window for unutilised CSR amounts from 30 to 90 days
- Empower the Central Government to exempt certain categories of companies from CSR compliance

Institutional Due Diligence 2A: The 3 Labour Codes: Compliance Checklist

- Comp structure as per definition of "Wage" under the Code on Wages. Revisit and revise existing comp structure
- Applicability of Minimum Wages, Payment of Wages chapters under Code on Wages to NGOs
- Mandatory coverage of NGOs under ESI
- Mandatory registration and insurance for gratuity
- A new flexi-hiring category: Fixed Term Employment (FTE); only regular/permanent and FTE are permitted HR-engagement categories

- Engagement of contract labour in 'core activity' is prohibited
 - Employee vs. Worker classification: EL, overtime and comp-off applicable to "worker" category
 - Mandatory appointment letter and wage slip, as per the applicable state-rules template
 - Labour Identification No (LIN) and all registrations i.e. EPF, ESIC etc. seeded in LIN
 - PT registration and S&E license as per state Acts; they co-exist
 - Health, safety and welfare provisions as per OSH standards
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