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Foreign Contribution Regulation Act (FCRA) and Civil Society: Implications for Social Work Practice in India

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Abstract:

The Foreign Contribution Regulation Act (FCRA) of India has undergone a significant transformation since its enactment in 1976 as a security-oriented legislative instrument. Over time, it has evolved into a strict regulatory system that controls how civil society organisations operate. This paper examines how the amendments introduced in 2020 have generated a condition of "funding precarity", evidenced by the cancellation of nearly 20,000 NGO registrations and the absolute prohibition of sub-granting practices. Additionally, the lowering of administrative expenses to 20% has adversely affected social work practice by restricting the allocation of resources towards professional remuneration and field-based research.

Moreover, the enforcement of Aadhaar-linked identification and the requirement of centralized banking operations in New Delhi have embedded a "technomoral" system of surveillance within the sector. These shifts have induced a widespread "chilling effect" forcing practitioners to transition from rights-based advocacy to apolitical, state-aligned service delivery. This "statization" of civil society hinders the professions' ability to address structural inequalities and promote sustainable justice. To safeguard independent practice, this study proposes revisiting the administrative expenditure cap and creating a National Council for Social Work to offer statutory protection to practitioners.

Keywords: FCRA, Civil Society, Social Work Practice, Regulatory Compliance, Funding Precarity.

1. Introduction:

The relationship between the Indian state and civil society is currently undergoing a fundamental realignment, shifting away from a framework of "participatory development" toward one characterized by "intensive surveillance" and "statization". In a country of 1.4 billion citizens, civil society organizations have traditionally served as the "vanguard" of democratic engagement, bridging the gap between the state and its people and facilitating inclusive governance. However, the principal law governing this domain; the Foreign Contribution Regulation Act has evolved from a security-driven statute into an intricate regulatory mechanism that determines the very existence of the non-profit sector. For the field of social work, which relies on institutional stability and skilled professionals

to address deep-rooted social inequalities, this increasingly restrictive legal environment poses serious challenges to both ethical practice and long-term sustainability.

1.1. Research Background:

Although social work in India has an established history spanning more than eighty years, it currently operates within an increasingly restrictive regulatory context that threatens its continued viability. The contemporary approach of the state seeks to regulate development assistance, thereby sidelining independent humanitarian initiatives (Azis & Rachmadevi, 2023). The trajectory of the Foreign Contribution Regulation Act illustrates this shift toward restriction. Initially introduced as a national security safeguard, the Act has gradually developed into a robust instrument of governmental oversight. The comprehensive revision in 2010, followed by amendments during the COVID-19 period, fundamentally restructured the sector by introducing stringent expenditure limits and outlawing sub-granting among organizations (Sharma, 2021). This contraction has compelled non-profits to operate within a "technomoral" political environment, where digital compliance mechanisms facilitate continuous surveillance and monitoring by the state (Sabharwal, 2020). Consequently, the dynamic between the state and civil society has transitioned from collaborative development toward a model defined by strict regulatory compliance (Tandon & Aravind, 2021).

1.2. Problem Statement:

Social work practice and social science research in India are currently experiencing a severe condition of "funding precarity" which restricts advocacy efforts and weakens grassroots interventions (Aiyar, 2024). This crisis manifests in three key dimensions:

- **Institutional Instability:** The move toward demanding renewal cycles, frequently granting only short-term approvals, undermines long-term strategic planning and destabilizes the professional workforce.
- **Breakdown of Collaboration:** The ban on sub-granting has made collaborative research and partnerships extremely difficult, disconnecting well-funded academic bodies from grassroots organizations that are essential for policy advocacy.
- **Ethical "Chilling Effect":** Continuous regulatory pressure has fostered an environment of self-censorship, where NGOs increasingly adopt "tamed" or purely service-oriented approaches to avoid being categorized as "anti-national" or politically sensitive. This significantly limits the profession's ability to address systemic marginalization and pursue enduring justice (Sabharwal, 2020).

2. Legal Framework:

The regulatory architecture governing foreign funding in India has evolved from a defensive legal tool into a proactive framework that manages the scope and influence of civil society (Sabharwal, 2020). This section outlines the historical development of the FCRA and the compliance obligations

that now define the operational realities of social work organizations, which are subject to growing state scrutiny.

2.1. FCRA Regulatory History:

2.1.1. The Inception: FCRA 1976:

The Act was introduced during the National Emergency of 1976. Influenced by Cold War concerns, it aimed to prevent "foreign hands" from influencing India's internal political system (Talukdar, 2018). At that stage, it functioned primarily as a security measure and had minimal interference in developmental activities of non-profit organizations.

2.1.2. The 2010 Overhaul:

With the growth of global funding alongside economic liberalization, the 1976 Act was replaced by the Foreign Contribution Act, 2010 (Sharma, 2021). This version transformed the law into an active regulatory framework, institutionalizing oversight over the voluntary sector (Talukdar, 2018). Key provisions included mandatory five-year license renewals and the state's authority to classify organizations as having a "political nature" thereby disqualifying them from receiving foreign funding if they engaged in protests or advocacy (Talukdar, 2018).

2.1.3. The 2020 Amendments and Beyond:

The amendments introduced in 2020, during the COVID-19 pandemic, represent the most restrictive phase of the Act (Azis & Rachmadevi, 2023). They eliminated sub-granting, even between FCRA-registered organizations, fundamentally altering collaboration within the sector (Sharma, 2021). Additionally, these measures have reinforced a "technomoral" governance model, where digital compliance and centralized monitoring are utilized as essential tools for state surveillance (Sabharwal, 2020).

2.2. Compliance Requirements:

The present framework imposes four principal compliance obligations that structure the operational realities of social work practitioners, effectively reorienting the sector towards a model of continuous, state-supervised compliance.

- **Mandatory Registration and Renewal:** Every organization seeking international funding must obtain FCRA registration from the Ministry of Home Affairs (Sharma, 2021). This license must be renewed every five years through a rigorous audit of organizational activities, a process the state frequently uses to scrutinize and potentially cancel the licenses of organizations deemed "anti-national" or politically sensitive (Talukdar, 2018; Tandon & Aravind, 2021).
- **Financial and Banking Centralization:** All foreign contributions must be received exclusively through a designated account at the State Bank of India, New Delhi (Sharma, 2021). This centralization allows the government to monitor financial inflows in real-time (Sharma, 2021). For organizations in remote or rural areas, this requirement creates significant logistical

hurdles, often hindering essential aid distribution (Azis & Rachmadevi, 2023; Sharma, 2021).

- **Administrative Expenditure Caps:** The 2020 amendments reduced the cap on administrative expenses from 50% to 20% (Sharma, 2021). This is particularly damaging to social work, as "administrative expenses" often include the salaries of counsellors, field workers, and researchers (Shanmugam & Shenbakam, 2025; Sharma, 2021). By capping these costs, the state effectively limits the ability of NGOs to hire qualified professionals, forcing the sector toward a less-effective volunteer-driven model (Sharma, 2021).
- **Identity and Reporting Mandates:** The Act requires the mandatory provision of Aadhaar numbers for all office bearers, along with strict annual filing deadlines (Sharma, 2021). This identity mandate, combined with the potential for immediate license suspension due to minor clerical errors, has raised significant privacy concerns and fostered a climate of pervasive self-censorship (Sabharwal, 2020), (Sharma, 2021), (Dixon, 2017).

3. Impact Analysis:

The tightening of the Foreign Contribution Regulation Act has fundamentally reconfigured the operational environment of civil society in India, signalling a marked shift from a facilitative framework to one characterized by systematic state oversight (Azis & Rachmadevi, 2023). This regulatory transformation has generated cumulative pressures for non-governmental organizations, complicating routine operations and undermining long-term financial sustainability.

3.1. Operational Constraints:

The 2020 amendments introduced a series of operational constraints that have had particularly pronounced effects on smaller, grassroots social work organizations (Sharma, 2021).

- **Reduced Administrative Capacity:** The reduction of the administrative expenditure cap from 50% to 20% constitutes a significant institutional constraint (Sharma, 2021). In practice, administrative expenditure frequently includes the salaries of trained counsellors, field investigators, and social workers who are central to service delivery. As a result, organizations are often forced to choose between retaining qualified personnel and maintaining legal compliance. This weakens the professional basis of intervention and pushes the sector towards an under-resourced, volunteer-dependent model (Sharma, 2021).
- **Barriers to Decentralization:** The prohibition on sub-granting foreign funds, including between FCRA-registered entities, has disrupted the collaborative "hub-and-spoke" arrangements that have historically sustained India's civil society ecosystem (Sharma, 2021). In earlier models, larger or internationally connected organizations often partnered with smaller rural groups to deliver specialized or locally embedded programmes. The loss of this mechanism has isolated smaller organizations unable to secure independent registration, while concentrating resources and institutional power in a limited number of urban-based bodies

(Sabharwal, 2020).

- **Logistical Inefficiencies:** The requirement that all foreign contributions be routed through a single State Bank of India branch in New Delhi has created substantial logistical burdens for organizations operating in remote regions such as Kerala, the Northeast, and the Andaman Islands (Sharma, 2021). More than a procedural inconvenience, this centralization functions as a technomoral apparatus of surveillance, enabling real time monitoring of financial transactions and contributing to an atmosphere of fear and self-censorship among practitioners working under constant regulatory scrutiny (Sabharwal, 2020).

3.2. Funding Vulnerability:

The inherent unpredictability of the FCRA registration and renewal cycle has institutionalized "funding precarity" throughout the non-profit sector.

- **Systemic License Revocation:** Since 2014, the government has utilized the FCRA for systematic monitoring, resulting in thousands of license cancellations. Notable instances, such as the crackdown on Greenpeace India, demonstrate how advocacy for environmental or human rights can trigger the freezing of accounts and the crippling of operations. This induces a "chilling effect" where organizations actively avoid sensitive topics to safeguard their existence.
- **The "Bane" of Renewal:** With licenses valid for only five years, organizations exist in a state of perpetual "re-vetting". The renewal process is frequently delayed or rejected based on vague interpretations of "public interest" or "political nature". During the COVID-19 pandemic, these delays hindered NGO capacity to distribute emergency aid, highlighting the life-altering consequences of these regulatory barriers.
- **Identity Risks:** Mandatory Aadhaar provision for all office bearers raises profound privacy concerns regarding "state-led surveillance." For social workers, this represents an intrusive state extension into the lives of individuals frequently striving to hold that same state accountable.

4. Social Work Implications:

The restructuring of the FCRA has forced a significant transformation in the professional identity and functional scope of social work in India (Sabharwal, 2020). Beyond simple administrative hurdles, these changes challenge the core values of the profession, particularly its commitment to social justice and independent advocacy (Morley & Ablett, 2017; Spolander et al., 2015).

4.1. Practice Challenges:

The current regulatory environment has fundamentally shifted the focus of social work practice away from rights-based empowerment and toward a technical, service-delivery model (Resnick et al., 2024).

- **Deskilling and Depoliticization:** As NGOs are increasingly "tamed" by the state, practitioners are pushed toward apolitical service roles that align with government objectives. This "managerialism" reduces social workers to technocrats who prioritize fiscal accountability over systemic change (McBeath, 2016).
- **Resource Scarcity and Programmatic Shifts:** The 20% cap on administrative expenses directly threatens the professionalization of the sector, often forcing organizations to rely on less-qualified volunteers or reduce their specialized staff.
- **Loss of Collaborative Agency:** The ban on sub-granting prevents established social work organizations from mentoring smaller groups, effectively dismantling the infrastructure for large-scale advocacy (Sabharwal, 2020).

4.2. Ethical Dilemmas:

Social workers in India face growing ethical tensions as they attempt to balance professional integrity with the survival of their organizations.

- **Confidentiality vs. State Surveillance:** The mandatory requirement for Aadhaar identification of NGO office bearers and the centralization of all foreign transactions through New Delhi create a climate of pervasive surveillance (Sabharwal, 2020). Practitioners often find themselves in a "precarious dance" negotiating professional power while attempting to mitigate the risk of state retribution for their advocacy efforts.
- **Professional Autonomy vs. Funding Dependency:** In India, social workers are frequently perceived as having "very little, if any, power for independent judgment" compared to their global counterparts (Ornellas et al., 2018). The dependence on state-regulated funding channels forces practitioners into self-censorship, where they may avoid addressing sensitive issues such as human rights violations to ensure their organization's license is renewed.
- **The Search for an Indigenous Ethical Code:** Despite the growth of the profession, India still lacks a unified, legally recognized regulatory body or a uniform code of ethics for professional social workers (Machado, 2017). The absence of a centralized regulatory framework leaves practitioners vulnerable to political pressure and hinders the development of a "Bharatiyakaran" model of social work that is contextually grounded in Indian Knowledge Systems (Machado, 2017).

5. Civil Society Dynamics

The implementation of the FCRA has fundamentally reshaped the relationship between the Indian state and civil society, transitioning from a model of "participatory development" to one of "rigorous surveillance" (Azis & Rachmadevi, 2023; Tandon & Aravind, 2021). This shift has created a "contested space" where the ability of non-governmental organizations to act as checks on state

power is increasingly constrained by legal and administrative mechanisms (Sabharwal, 2020; Talukdar, 2018).

5.1. Democratic Participation:

The role of civil society as a pillar of democratic participation in India is currently undergoing a "technomoral" transformation, where digital compliance is used as a tool for political regulation (Sabharwal, 2020).

- **From Partners to Subjects:** Historically, civil society was viewed as a "source of life" for democratic governance, especially during crises (Tandon & Aravind, 2021). However, recent dynamics suggest a move toward the "statization" of civil society, where NGOs are expected to serve primarily as implementers of government schemes rather than independent democratic actors (Azis & Rachmadevi, 2023; Tandon & Aravind, 2021). During the COVID-19 pandemic, this was evidenced by the state's attempt to "monopolize" aid distribution, rendering independent civil society participation "almost impossible" due to FCRA bottlenecks (Azis & Rachmadevi, 2023; Tandon & Aravind, 2021).
- **Shrinking Civic Space:** Scholars describe the current era as one of "shrinking spaces" where the state uses the FCRA to perform "systematic monitoring" of any group that challenges the official narrative (Banerjee, 2023; Talukdar, 2018). This is not merely an administrative shift but a democratic one; by controlling the "voice, access, and ownership" of advocacy platforms, the state effectively narrows the range of public discourse on critical issues like nutrition, health, and human rights (Resnick et al., 2024).
- **The Surveillance State:** The mandatory integration of Aadhaar for NGO functionaries and the centralization of all foreign funding through a single branch in New Delhi represent a "failure to do no harm" regarding privacy (Dixon, 2017). This architecture allows for real-time state surveillance of civil society leaders, which many argue is a "bane" for the independence required for robust democratic participation (Sabharwal, 2020; Sharma, 2021).

5.2. Advocacy Limitations:

The most profound impact of the FCRA on civil society dynamics is the systematic "taming" of advocacy, particularly through the broad and often arbitrary classification of NGO activities as "political" or "against the national interest" (Sarkar, 2023; Talukdar, 2018).

- **The "National Interest" Rhetoric:** The state has increasingly used the "national interest" as a legal justification to target advocacy groups (Talukdar, 2018). A prime example is the crackdown on Greenpeace India, which was accused of "stalling" India's economic growth by advocating against coal mining (Talukdar, 2018). By framing environmental protection as "anti-development" the state uses FCRA provisions to freeze bank accounts and "cripple" the

organizational capacity of groups that question state-led industrial projects (Talukdar, 2018; Tandon & Aravind, 2021).

- **Self-Censorship and the "Chilling Effect":** The threat of license revocation has induced a widespread "chilling effect" among Indian NGOs (Talukdar, 2018). Many organizations now engage in "self-censorship" avoiding sensitive advocacy topics such as minority rights, land acquisition, or government corruption to ensure their survival (Aiyar, 2024; Talukdar, 2018). This shift from "rights-based" to "service-based" social work undermines the profession's ability to address the root causes of social inequality (Kamali & Jönsson, 2019; Sabharwal, 2020).
- **Barriers to Knowledge-Based Advocacy:** Advocacy is increasingly hindered by the difficulty of conducting social science research in the current climate (Aiyar, 2024). The loss of tax-exempt status for think tanks and the prohibition of sub-granting (Sharma, 2021) have severed the links between researchers and grassroots activists (Aiyar, 2024). Without the ability to fund local data collection or collaborate across borders, civil society's capacity to provide evidence-based critiques of government policy is severely diminished (Aiyar, 2024; Resnick et al., 2024).

6. Conclusion:

The evolution of India's Foreign Contribution Regulation Act, from its 1976 emergency-era inception to the 2020 amendments, signifies a paradigm shift in state-civil society relations. This transition moves from collaborative "participatory development" to a regime defined by "systematic monitoring" and "technomoral" surveillance (Azis & Rachmadevi, 2023; Sabharwal, 2020; Tandon & Aravind, 2021). While the state justifies these stringent regulations through the lens of "national interest" and transparency, the operational reality for social work and democratic participation has been profoundly restrictive (Sharma, 2021; Talukdar, 2018).

6.1. Synthesis of Findings:

Analysis reveals three critical impacts:

- **Administrative Asphyxiation:** The 2020 amendments notably the 20% cap on administrative expenditure and the prohibition of sub-granting have crippled grassroots operations (Sharma, 2021). Because professional social work is labour-intensive, capping administrative costs effectively restricts the recruitment of qualified practitioners, driving a de-professionalization of the sector (Shanmugam & Shenbakam, 2025).
- **The "Chilling Effect":** By loosely defining "political nature" and leveraging "national interest" rhetoric against dissent, the state has institutionalized self-censorship (Sarkar, 2023). Consequently, social work is pushed toward an apolitical service-delivery model, abandoning its core ethical mandate to address the structural determinants of inequality and human rights violations (Sabharwal, 2020).

- **Democratic Erosion:** Mandatory Aadhaar integration for NGO functionaries and centralized banking in New Delhi create a pervasive surveillance infrastructure that stifles independent action (Dixon, 2017). The cancellation of nearly 17,000 to 20,000 licenses underscores the precariousness of civic space under current regulations (Sarkar, 2023).

6.2. Recommendations:

To ensure the survival and relevance of professional social work in India, the following strategic shifts are necessary:

For Policy and Legislation:

- **Revisit Administrative Caps:** The government should reconsider the 20% administrative cap. For social work, salaries for field staff are essential project costs, not "overhead"; reclassification is necessary to maintain service quality (Sharma, 2021).
- **Restore Sub-Granting:** Enabling FCRA-registered entities to transfer funds to domestic partners is vital for sustaining the "hub-and-spoke" networks necessary to reach marginalized populations (Aiyar, 2024).

For the Social Work Profession:

- **Establishment of a National Regulatory Body:** There is an urgent need for a legally recognized national council for professional social workers (Baikady et al., 2020). A unified body would provide a collective shield against political pressure and establish an indigenized code of ethics, balancing integrity with legal compliance (Machado, 2017).
- **Embracing Indigenous Models:** Practitioners should pivot toward "inclusive growth" models rooted in Indian Knowledge Systems (Dash, 2024). Diversifying funding sources through domestic mobilization and corporate social responsibility can mitigate FCRA-related precarity (Sharma, 2021).

For Civil Society Resilience:

- **Navigating Technomoral Spaces:** NGOs must prioritize digital compliance and "technomoral" literacy to protect beneficiary privacy while navigating state monitoring systems (Nagarjuna, 2026).
- **Evidence-Based Advocacy:** Despite restrictions, civil society must persist in producing rigorous research (Aiyar, 2024). Strengthening domestic research networks is essential to building the intellectual foundation required to challenge restrictive policies in public and judicial forums (Resnick et al., 2024).

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