

## Sustainability Strategies of Socially Oriented NPOs: Grant Support Mechanism



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**Abstract.** The amount of grant support allocated by the state to the non-profit sector of social services is increasing annually; the number of social projects and the volume of their funding are growing as well. The state's interest in the qualitative development of socially oriented non-profit organizations and expansion of the segment of their participation in social services is determined by the opportunities that non-profit organizations possess as new performers of social services, capable of introducing innovation in addressing social problems of citizens in need of support. In Russia, the Presidential Grants Foundation is the major grant operator that accumulates public funds and distributes them on a competitive basis among non-profit organizations. Its unique competitive system complies with modern standards for supporting project applications and supports socially oriented non-profit organizations in the process of implementing winner projects. The Foundation is also distinguished by a more significant amount of funds allocated to

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**For citation:** Starshinova A.V., Borodkina O.I. (2022). Sustainability strategies of socially oriented NPOs: Grant support mechanism. *Economic and Social Changes: Facts, Trends, Forecast*, 15(5), DOI: 221–236. DOI: 10.15838/esc.2022.5.83.12

support grants in comparison with other grantmakers, including private foundations. The problem that determined the focus of the issues considered in the article is the contradiction between the significant amount of support provided to regional socially oriented non-profit organizations in the process of their formation as providers of social services, and the continuing low efficiency of these organizations. We investigate major strategies for raising funds by socially oriented non-profit organizations and show that their income portfolio consists mainly of the funding that comes from grant support, which is accompanied by risks of financial instability of organizations and an increasing dependence on grant funds as the main source of income. The empirical base of the study includes open source data and interviews with representatives of regional socially oriented non-profit organizations, resource centers and grantgivers (n = 27). Based on the analysis of interviews with the participants of the study, the article examines the possibilities of income diversification for non-profit organizations and the risks each strategic perspective may entail. We reveal the readiness of non-profit organizations to develop strategies aimed at attracting donor funding and income-generating activities. We also define conditions under which organizations are able to implement the discussed strategies in practice.

**Key words:** grant support, socially oriented non-profit organizations, financial vulnerability risks, sustainability strategies, subsidies, Presidential Grants Foundation.

### Acknowledgment

This article was carried out with support of the Russian Science Foundation (RSF) according to the project 19-18-00246-P “Challenges of the transformation of Welfare State in Russia: institutional changes, social investment, digitalization of social services”, implemented at Saint Petersburg University.

### Introduction

The arrival of socially oriented non-profit organizations (SONPOs) as new service providers in the social services sphere characterizes one of the trends in the transformation of welfare states in the transition from social welfare models based on social security to modern social service models. In Russia, the sphere of social services is among the priority development goals<sup>1</sup>, and the achievement of this goal involves state support for SONPOs as partners in intersectoral cooperation regarding social issues.

<sup>1</sup> On non-profit organizations: Federal Law 7-FZ, dated January 12, 1996 (amended July 2, 2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_8824/87a16eb8a9431fff64d0d78eb84f86accc003448/?resource=cons&target=doc](http://www.consultant.ru/document/cons_doc_LAW_8824/87a16eb8a9431fff64d0d78eb84f86accc003448/?resource=cons&target=doc) (accessed: May 30, 2022).

The state provides SONPOs with various forms of support<sup>2</sup>, primarily budget subsidies, including grants<sup>3</sup>. Grants represent an effective way of direct support for non-profit organizations (NPOs) due to their targeted nature, which helps to address current social issues using innovative methods. The expected effectiveness of grant support, including private grants, is achieved through compliance with the

<sup>2</sup> On the foundations of social services for citizens of the Russian Federation: Federal Law 442-FZ, dated December 28, 2013. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_156558/8aa93e4372acfa5dd8c704830619f2f65aa84528/](http://www.consultant.ru/document/cons_doc_LAW_156558/8aa93e4372acfa5dd8c704830619f2f65aa84528/) (accessed: March 2, 2022).

<sup>3</sup> On non-profit organizations: Federal Law 7-FZ, dated January 12, 1996 (amended July 2, 2021). Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_8824/87a16eb8a9431fff64d0d78eb84f86accc003448/?resource=cons&target=doc](http://www.consultant.ru/document/cons_doc_LAW_8824/87a16eb8a9431fff64d0d78eb84f86accc003448/?resource=cons&target=doc) (accessed: May 30, 2022).

rules when writing an application, the mechanism of competitive selection, and reporting standards on the funds received; this ensures control over the expenditure of funds provided to organizations, and minimizes excessive formalization. In accordance with Russian legislation, budget subsidies in the form of grants are provided directly to organizations and through intergovernmental transfers, i.e. through the allocation of financial resources to the regions for grants to be distributed among NPOs operating in their territories. Grants funded by budgets of various levels are a tool of state social investment in the non-profit sector of social services (Borodkina et al., 2022) through which organizations develop and obtain new opportunities for applying innovative approaches to meet the needs of their target groups. Non-profit organizations can also use grant funds to attract additional resources for their own activity.

The relevance of studying the emerging approaches of NPOs to grant support is primarily determined by the following aspects: public expectations related to the realization of the potential of NPOs as performers of social services; the interest of the state in the expansion and qualitative development of the non-profit sector, since the sphere of social services embodies the system of public welfare and represents the sphere of state responsibility; significance of the support provided by state grants, endowing them with financial stability in the period of formation. The Government of the Russian Federation has adopted an action plan (roadmap) for 2016–2018 “Support for access of non-governmental organizations to the provision of services in the social sphere”<sup>4</sup> and “The set of measures aimed at ensuring phased access of

socially oriented non-profit organizations operating in the social sphere to budget funds allocated for the provision of social services to population for 2016–2020”<sup>5</sup>. In 2019, the standard for the development of competition in RF constituent entities was approved, which provides for the inclusion of measures for the development of SONPOs and social entrepreneurship in regions’ roadmaps. Nevertheless, according to the results of Russian research, the potential of budget financing in the distribution of grant funds to support SONPOs remains low (Martynov, 2019; Stepanov, 2020).

Given the increasing amount of funding for grant support to NPOs and the high demand for grants at the initial stage of the functioning of organizations in the field of social services, it is necessary to study how they manage to implement the opportunities they obtain when receiving grants and overcome the emerging risks of financial instability. These issues determined the subject of our study, the results of which are presented in the article. The purpose of the work was to analyze the role of grant funds in the income generation strategies of regional SONPOs in order to achieve the stability they need in order to perform their functions in the process of entering the emerging market of social services. The analysis was based on interviews with managers and employees of non-profit organizations, including representatives of resource centers and the grantgiver, the Presidential Grants Foundation (PGF). The article focuses not only on the advantages, but also on the risks of grant support, which may hinder the development of non-governmental providers of social services. The obtained research findings contribute to the

<sup>4</sup> On the approval of the action plan (“road map”): RF Government Resolution 1144-r, dated June 8, 2016. Available at: [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_199767/](http://www.consultant.ru/document/cons_doc_LAW_199767/) (accessed: December 10, 2021).

<sup>5</sup> “The set of measures aimed at ensuring phased access of socially oriented non-profit organizations operating in the social sphere to budget funds allocated for the provision of social services to population for 2016–2020”. Available at: <http://docs.cntd.ru/document/456050188> (accessed: December 10, 2021).

understanding of the practice of using grants as a form of support for SONPOs in the context of dramatic changes in the Russian system of public welfare.

#### **NPOs income portfolio and financial vulnerability risks**

Grant support for NPOs is in the focus of researchers' attention and is discussed, as a rule, in the context of the financial situation of organizations within the framework of the concepts of financial vulnerability of non-profit organizations. The financial situation of organizations directly affects the likelihood of receiving grants (Paarlberg et al., 2017), since the sustainability of NPOs in this aspect is an indicator of their viability (Bowman, 2011; Green et al., 2021). In this regard, one of the key research questions presented in most of the articles devoted to this topic is to study the capabilities and ability of organizations to diversify income sources in order to predict and overcome financial vulnerability (Mazanec, Bartosova, 2021; de Andres-Alonso et al., 2016; Tevel et al., 2015). The results obtained demonstrate that a diversified income portfolio provides more stability and, therefore, largely determines the life expectancy of organizations (Carroll, Stater, 2009). The availability of several funding streams and a certain combination of earned income, government contracts, grants, private donations and attracted funds create conditions under which NPOs can avoid excessive dependence on any one source of income, stabilize their financial situation and thereby reduce the risk of financial crises or interruptions in financing (Frumkin, Keating, 2011). Moreover, the need for diversification within the source of income, in particular public financing, is substantiated in order to obtain greater benefits and prevent financial risks, especially when it comes to large organizations capable of managing multiple financial flows (Zhao, Lu, 2019).

Modeling the optimal combination of financial flows is based on financial portfolio theory (Kingma, 1993). At the same time, supporters of the modern portfolio theory (MPT), in addition to the requirement of diversification, pay attention to a more subtle approach to the income strategy of non-profit organizations (Qu, 2019). Portfolio risks, in their opinion, depend on the income structure. Organizations that have donations as their main income or that do not have a main income at all face greater financial risk. NPOs engaged in commercial activities or those whose income structure includes mainly government subsidies are significantly less likely to face financial crisis risks. However, in the latter cases, the risks of commercialization and restrictions associated with public financing may be a challenge for NPOs. Analysts most often consider the partnership of NPOs and the state in the production of social services as a significant factor in the financial stability of organizations; nevertheless, public financing can increase financial risks. Risks are associated with competition within the non-profit sector; and in Russia, NPOs at the same time compete with state social institutions for budget subsidies (Starshinova, Borodkina, 2020). Moreover, NPOs have to deal with the requirements of budget austerity and the need to respond to the increasing demand for social services (Cortis, Lee, 2019).

According to experts, the conditions under which non-profit organizations providing social services at the expense of budgetary funds can cope with potential financial risks are the ability of organizations to increase resources and manage them accordingly, including not only financial, but also human resources, awareness-raising activities, targeted programs and services, including management strategies, leadership issues, etc. (Searing et al., 2021). At the same time, researchers have different opinions when assessing the role of

state financing in diversifying the portfolio of non-profit organizations; state financing can either displace other flows or, on the contrary, facilitate the search for new sources of income. A widespread claim concerning the effect of reducing the entrepreneurial activity of NPOs in the presence of public financing (De Wit et al., 2017) in the context of changing social policy toward reducing public spending on social needs is largely disputed by the results of studies proving that NPOs are forced to develop entrepreneurial strategies to ensure their financial stability precisely in order to obtain or maintain public financing (Miko ajczak, 2018).

Grant dependence, according to some researchers, is a risk factor for the financial well-being of NPOs (Green et al., 2021). Government decisions on allocating grants to non-profit social service providers may be influenced by the rates of administrative costs of organizations (Ashley, Faulk, 2010). It has been established that the professionalization of the non-profit sector, measured by operational and administrative costs, has a small, but, according to the authors, practically and statistically significant positive relationship with the allocation of grants by foundations (Stewart, Faulk, 2014). At the same time, professionalization should not add unnecessarily bureaucratic burden to organizations, i.e. make them administratively inefficient. Such a risk is possible under continuous government funding (Lu, Zhao, 2019). The procedure for allocating grants to NPOs provides for the following: in order to become grantees, initially NPOs are checked not only in terms of financial well-being; the legitimacy of the organization is also taken into account, as well as the compliance of the activities performed with the stated mission; in the future, organizations with a high degree of legitimacy are provided with incentives so that they can maintain partnership relations with the grantgiver (Paarlberg et al., 2017).

Of particular importance is the network inclusion/integration of NPOs, which creates competitive advantages when gaining access to financial resources in competitive markets, in particular grants (Faulk et al., 2017). Organizations with a high level of social capital acquired and built up in the process of networking are more prosperous and have a better chance of receiving grant support (Dell et al., 2022).

According to the theory of the life cycle of non-profit organizations, most Russian SONPOs are still in a formative stage, having a relatively short history of functioning, and are experiencing an acute financial deficit (Starshinova, Borodkina, 2020); therefore grants at this stage of their development are one of the most popular ways to maintain SONPOs' income (Stepanov, 2020).

The identified theoretical and methodological aspects of research presented in the literature are of fundamental importance for further understanding of domestic practice concerning grant support for organizations of the non-profit sector of social services. They were taken into account when analyzing the empirical data of our study.

#### **Research methods and materials**

The information base of the study includes statistical data on the financing of regional SONPOs, published in open sources, documents, legal and normative acts regulating the development of the non-profit sector of social services.

The methodology is based on methods of collecting sociological information through semi-structured interviews with SONPOs representatives who received grants, interviews with specialists of resource centers that support organizations in preparing grant applications, including with a representative of the Presidential Grants Foundation, conducted as part of a study of the development of the non-profit sector in Russian regions in 2019–2022 (n = 27). The composition of

the interview participants, on the one hand, allowed us to form an idea of how the main interacting actors, grantees and grantgivers, understand the role of grant support in the development of new performers of social services, on the other – the interviews were selected in such a way as to show the positions of various SONPOs operating in different Russian regions (Southern, North Caucasian, Ural and Far Eastern federal districts, Republic of Tatarstan, and Moscow).

The article also uses data from a sociological survey conducted in 2020 in all RF federal districts, dedicated to studying the level of digital development of regional social services, including through grant support. The sample set of the study included 22 SONPOs included in the regional registers of social service providers operating in large and small urban settlements, as well as rural areas. The questionnaire comprised questions about grants as sources of financing for digitalization, which made it possible to compare non-profit and state providers of social services according to this indicator.

### Research findings

#### Organizing grant support for regional SONPOs.

The main organization in Russia providing grant support to SONPOs is the Presidential Grants Foundation (PGF), which was finally formed in 2017 as a single state grant-giving fund from several funds operating since 2006 and established at the expense of budgetary funds. Currently, the PGF accumulates and distributes grant funds for the development of civil society, holds competitions and provides grants to Russian NPOs for the implementation of projects in 13 areas, including “Social services, social support and protection”<sup>6</sup>.

<sup>6</sup> Presidential Grants Foundation. Available at: <https://президентскиегранты.рф/> (accessed: January 22, 2022).

The PGF performs the functions of not only a grant operator; it also provides information, educational, legal and other support for non-profit organizations on social project planning. The number of supported projects submitted by NPOs to PGF competitions increased annually until 2020 inclusive, and the amount of funding also increased. *Table 1* contains data on the “Social services, social support and protection” area and on the area close to the subject of our study “Support for family, motherhood, fatherhood and childhood”; the presented data reflect the dynamics of grant support for SONPOs over the past five years. For comparison, we note that the social services financing area of the PGF competition ranks second in terms of funding (85 projects in the amount of 4,945,000 rubles), the area of supporting young talents in the field of culture and art (18 projects in the amount of 228 112 040 rubles) ranks first; the third place in terms of funding is the support of projects in the field of culture and art (46 projects in the amount of 64,469,765 rubles). In general, the foundation held nine competitions with participation of 27 thousand non-profit organizations that submitted 77 thousand social projects, of which 15,877 project applications totaling 32.8 billion rubles<sup>7</sup> were supported based on competition results. Consequently, the foundation supported every fifth submitted NPO project (approximately 20% of the total number of grant applications from NPOs).

Socially oriented NPOs also receive grants from private Russian foundations. The fundamental differences of the PGF, as follows from an interview with its representative, consist in the amount

<sup>7</sup> The results of a special competition for the provision of Presidential grants for non-profit organizations have been summed up. Available at: <http://kremlin.ru/events/administration/63960> (accessed: January 20, 2022).

Table 1. Dynamics of grant support provided by the PGF to NPO projects in 2017–2021 (in two competition areas)

Area of support	Target audience of the projects	Year	Number of supported projects	Total amount of financing, rubles
Social services, social support and protection	Persons of no fixed abode, persons in a difficult life situation, persons with disabilities, patients with cancer and their loved ones, poor families, alcohol and drug addicts, adolescents and youth with disabilities, persons released from prison.	2017	9	9 787 240
		2018	15	31 109 525
		2019	13	28 070 470
		2020	26	51 688 556
		2021	22	47 100 996
		Total in the area	85	4 945 000
Support for family, motherhood, fatherhood and childhood	Orphans and children left without parental care, teenagers on file with the Minors Affairs Department, specialists of social rehabilitation centers for minors, children with disabilities, youth and students, teachers, parents, large and poor families, pregnant women	2017	6	9 751 010
		2018	9	13 583 518
		2019	6	14 456 802
		2020	14	33 632 253
		2021	9	16 281 488
		Total in the area	44	87 705 071

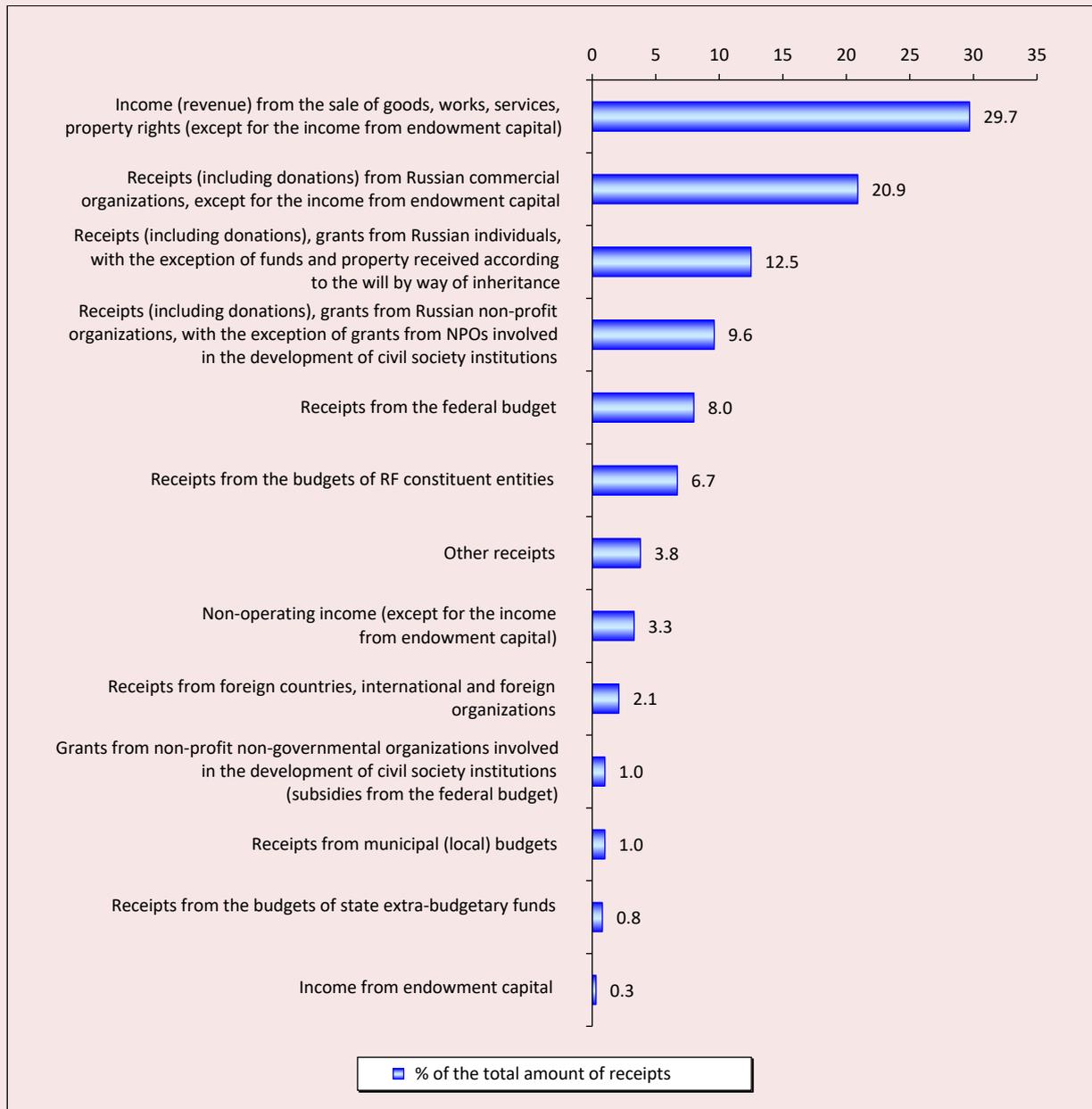
Source: Presidential Grants Foundation. Available at: <https://президентскиегранты.рф/>

of grant support and, no less importantly, in the developed ecosystem for NPO support: “In general, 80% of the Foundation’s work related to the support of existing projects rather than competitions. Each project is assigned a curator and a financial analyst. <...> The Presidential Grants Foundation implements a comprehensive approach – it provides significant financial support, develops competence systems in the field of social design and management, and also helps in the support and implementation of projects” (Presidential Grants Foundation, deputy head, Moscow, 2021). The PGF plans to disseminate the competition model in RF constituent entities.

The total volume of funds and other assets of Russian SONPOs in 2020 amounted to 895 million 345 thousand rubles. *Figure* shows different sources of grant funds and other sources of income of NPOs.

The analysis of the data in *Figure 1* shows that budget funds allocated to support NPOs account for 17.5% compared to 45% of the funds that organizations receive from private sources. Organizations obtain almost a third of their income through income-generating activity. Let us consider the positions of non-profit organizations themselves, the strategies that are really developing to attract income, and possible prospects for their diversification.

Sources of funds and property of SONPOs (100% = 895,345,000 rubles)



Source: Sources of formation of funds and other property of socially oriented non-profit organizations for 2020. Federal State Statistics Service. Available at: <https://clck.ru/aqGe2>

### Grants in the income structure of SONPOs

Grants are the most popular way among SONPOs to obtain funding, especially at the initial stage of their creation. It is confirmed by representatives of NPOs: “Now all NPOs are developing at the expense of grants” (Autonomous NPO, specialist, Yekaterinburg, 2022). Similar opinion is shared by specialists from resource centers, whose functions include grant, information, legal and other support of regional NPOs: “Basically, all [NPOs] rely on grants, <...> after some time, when they become more developed, they launch business <...> and put forward their projects, attract business, i.e. they start receiving donations from legal entities, but it all starts with grants” (Resource center, deputy director, Rostov Oblast, 2021).

Heads of non-profit sector organizations understand the purpose of grants as incentives for innovation in social services and emerging opportunities for the development of new social projects: “By winning grants you get a good start for your project” (Private social institution, head, Rostov-on-Don, 2021). Grants are also considered as a source for attracting new funds and specialists: “The grant “Obnimi tsifru” (Embrace a figure) allowed me to hire a fundraiser for a year” (Autonomous NPO, director, Rostov-on-Don, 2021).

Taking a priority place in the structure of financial sources, grants, according to informants, ensure stability of the organization: “We need a stable income. Grant competitions allow us to obtain it” (Charitable foundation, director, Sverdlovsk Oblast, 2022). At the same time, grants are increasingly becoming a way of survival, in particular a source of wages for employees and other operating expenses: “It so happened that I had no money to pay my employees. <...> I sat down and I started preparing for grants. And as a result, last

year we won four grants and two more this year” (Autonomous NPO, director, Rostov-on-Don, 2021).

By attracting grants, organizations are currently striving to build a kind of continuous strategy at the expense of grant funds, providing income for the future: “We won a grant, it provided us with wages for six months, in February we won another grant, which provides wages for the whole of 2021; now in June we hope that we will receive a grant for another year and a half; that is, it is so cyclical, because the Presidential Grants Foundation makes it possible to obtain and implement two grants simultaneously” (Autonomous NPO, executive director, Rostov-on-Don, 2021).

Nevertheless, the grant strategy for obtaining funding has its serious risks, especially in situations where grants are the main source of income. Already at the beginning of the work on a project, there is a risk of not winning a grant for its implementation. Due to a small number of specialists, which is typical of regional NPOs, managers have to restructure the work schedule of the entire organization in accordance with the competition periods and focus all efforts on preparing applications. Expectations of funding from the next grant form a kind of dependence, and the risk of financial instability after the grant is completed is destructive, because new areas developed within the framework of a social project are often suspended and even terminated: “We can’t ensure stability because there are cases when we don’t win a grant <...> We had a problem with a speech therapist, <...> a great specialist; but we did not win the grant and have no opportunity to pay them” (Regional Organization of the Disabled, head, Rostov-on-Don, 2021). When receiving grants designed to stimulate the development of NPOs in various directions, after the completion of the project in the absence of other sources of income, organizations are at risk of returning to

their original positions: “If an organization lives off grants alone, it can be viable and sustainable, but not interesting to society, to others. It doesn’t evolve” (Autonomous NPO, head, Yekaterinburg, 2021).

The need to anticipate such risks is recognized by all the leaders of SONPOs: “Grants just provide an incentive to come up with new projects, but what to do with old projects? <...> It is necessary to think from the very beginning what you will do with this project after the grant ends” (Private social institution, head, Rostov-on-Don, 2021). The position regarding the role of grants was quite definitely formulated by a grantgiver: “We believe that after all, the project and receiving a grant are a kind of startup; after that, the activity should be self-organized” (Presidential Grants Foundation, deputy head, Moscow, 2021). Consequently, it is becoming more and more obvious to grantgivers and grantees themselves that grant dependence really exists and organizations need to learn how to find alternative ways of financing.

Heads of regional SONPOs seek to identify constructive ways to overcome grant dependence: “I don’t believe that grants should be the main income of the organization in general. <...> My plan is to get off this grant needle and start raising money through private corporate donors. We have one more idea, an entrepreneurial one, <...> we are even thinking of applying to a startup accelerator, we won’t make it on our own, <...> we need to learn how to develop a business, calculate everything, understand how to start on the market. <...> So far, we have assembled a team, <...> we are thinking about how much money is needed” (Autonomous NPO, director, Rostov-on-Don, 2021).

On the other hand, the heads of NPOs working in the field of prevention of socially dangerous behavior note that projects aimed at helping groups of risky behavior (drug users, homeless, etc.) rarely

receive the support of Russian grantgivers. “We barely survive, like other NPOs” (NPO, head, Kazan, 2022). These organizations used to obtain grants from foreign foundations, and the withdrawal of international organizations and foundations from Russia undermined the activities of a significant part of NPOs working with these target groups.

#### **Diversification of SONPOs income**

Recognizing the dependence on grant support as a largely understandable and predictable financial strategy, all SONPOs are currently concerned about the need for income diversification. An analysis of interviews with representatives of NPOs shows that organizations’ strategies for generating income include fairly similar funding sources that do not always provide long-term financial stability; besides, each of the sources has certain risks. The survey participants identified a certain set of income sources that characterizes possibilities of diversification of financing, changes in the financial situation, in which only grant funds prevail so far. First of all, these include subsidies from regional budgets for carrying out activities in the interests of target groups, reimbursement of costs for providing services at the expense of budgetary funds or performing state tasks when entering the registers of social service providers, donations from donors, volunteer resources, income-generating activities, and income from endowment capital.

The subsidies received are usually regarded as insignificant and costly in terms of the ratio of the amount of money allocated and the efforts spent by employees on their implementation: “We receive state subsidies from the Ministry of Labor, but the amounts are small” (NPO, chairman, Yakutsk, 2020). Nevertheless, sometimes organizations manage to receive targeted subsidies from the regional budget for the employment of specialists providing certain areas of activity, including management, that is, for the salaries of heads

of organizations. Such subsidies were received, including in the form of grants: “I am officially employed under a grant” (Regional Organization of the Disabled, head, Rostov-on-Don, 2021). In general, the informants agreed that the amount of subsidies is significantly reduced and the possibility of obtaining them does not help the organizations to achieve a stable state.

When a SONPO is included in the regional registers of social service providers, it obtains opportunities for reimbursement of costs at the expense of the budget funds of the regions or fulfillment of state tasks. However, all organizations face the problem of low tariffs, which is a serious obstacle to increasing income: “About the risk of social service providers. <...> The tariffs are so low that it is impossible. Entering a register is not an option, not an option at all. We tried to calculate, but realized that there was no way. <...> Our document flow will devour more than what we earn, with all the tax deductions” (Regional Organization of the Disabled, specialist of the Development Center, Rostov-on-Don, 2021). Entry into other registries that create opportunities to increase the prestige and recognition of NPOs, does not solve the problem, but even aggravates it: “Now we are working on a document on entering the register of performers of socially useful services; we are facing a problem: the register exists, but there are no tariffs” (Private social institution, head, Rostov-on-Don, 2021).

The strategy of attracting income at the expense of donors is becoming more and more realistic, thorough and appropriate, according to the survey participants: “Myself and many organizations have a mission to restructure in order to attract more private and corporate donations. This is a more stable development scheme, more complex, longer-lasting. But we’re all going for it. The non-profit sector appeared in the country not so long

ago. The system of private corporate donations was born recently, and now it is only being formed” (Autonomous NPO, specialist, Yekaterinburg, 2022). In the meantime, funds from sponsors or donors are mainly targeted, including for the monthly salary of invited specialists. In cases where there is no regular income from sponsors, the organization is often unable to pay salaries to its employees: “Specialists may leave because I simply will not find money to pay them. And it is impossible to communicate to the sponsors that we just need to transfer money to pay our specialists, because we provide services to the entire population for free, <...> here is the problem” (NPO, director, Yekaterinburg, 2019). Thus, NPOs, especially those with longer work experience, are currently planning to raise funds more via private donations, mainly businesses. The implementation of such a strategy allows organizations to focus on providing social services to those social groups for which they were created: “... Social activists [NPOs] <...> should communicate with business. Now we need <...> not think about where to make money, just focus on the provision of services” (NPO, director, Yekaterinburg, 2019).

Giving preference to income in the form of donations from donors, NPO representatives understand typical risks of such a strategy: “We had four large donors who transferred a certain sum to us every month, <...> and several private donors, smaller ones. The crisis broke out, and our two largest donors quitted. <...> [The rest] simply stopped funding without explanation. <...> In April, the organization’s account had zero rubles” (Autonomous NPO, director, Rostov-on-Don, 2021).

Organizations provided with permanent financing from the founder are in a more favorable situation, but this is an exception rather than a common practice. Thus, a private charitable

foundation, which simultaneously performs the functions of social services for children with disabilities, managed to form a high-quality staff of professional employees corresponding to the level of modern organizational standards, thanks to the monthly receipts of the founder's financing: "We <...> have nine specialists, all of them are officially employed in the foundation, there are three specialists working under a civil contract, and the rest of the employees work under an employment contract, all have a full social package, a net salary. It's all thanks to the founder, because we form his image <...>. We receive a certain amount for charity every month, and a certain percentage goes to wages, <...> we work daily, according to a certain schedule, with certain job responsibilities. <...> We have a PR manager who works with grants, social media, and prepares applications" (Autonomous NPO, executive director, Rostov-on-Don, 2021).

The success of the strategy of attracting donations from donors is determined not only by the economic situation. The survey participants considered the relations of non-profit organizations and donors as mutual interested relations of the two parties. On the one hand, these are the organizations with experience, business partners, relations with whom have been formed over the years and are determined by the authority of the organization, public trust in it; on the other hand, these are donors of funds and, as SONPO representatives emphasized, a system of values, traditions, principles, i.e. a culture of donations that has not yet developed today. Donation is not on a systems basis so far; often sponsors, benefactors, and donors do not expect organizations to inform them about the funds spent; they even refuse to receive reporting: "They gave us the money and forgot about us. This, of course, is a fundamentally wrong approach. But we can't turn the situation around; we don't have the strength to do it. It looks like they are buying

us off" (Charity foundation, head, Yekaterinburg, 2022). The interaction between donors and organizations in need of donations in order to be effective should motivate participants to the practice that is emerging, and not vice versa.

Volunteering is a resource for the development of SONPOs, it can give quite tangible economic effects for the organization. SONPO managers and specialists working on a permanent basis were mostly invited by the founders while participating in volunteer events, during their internship as students, or while being engaged in volunteering as parents of "special" children receiving services in the organization. However, many survey participants expressed the following viewpoint: "Most often, if people work for free, they work poorly; after all, any kind of work should be paid for, and even volunteers also need this kind of incentive" (Autonomous NPO, executive director, Rostov-on-Don, 2021).

In contrast to gratuitous activities, NPOs are beginning to calculate in detail the development of income-generating activities, an area that is controversial for them, but is of interest in terms of possible benefits. At the same time, among the informants there were representatives of organizations that provide support to children with disabilities, so they do not consider business as an alternative source of income. The goods produced by such organizations are most often unable to compete in the market: "It is difficult to sell the goods made by such kids <...>, besides, we will have to pay the rent for the trading place. We expected that such goods would not pay off in any way" (Regional Organization of the Disabled, specialist, Rostov-on-Don, 2021). Having emerged back in the Soviet period, such organizations were managed and financed centrally for a long time without obtaining the necessary skills to conduct commercial activity. The opposite position is held by the heads of

organizations with business experience in the conditions of market development: “At the moment we are completely self-sufficient. We work only because we manage to earn from the sale of goods our workshops produce” (Autonomous NPO, head, Yekaterinburg, 2022). At the same time, income-generating activities can correspond to the profile of services that SONPOs provide to their target groups. Without abandoning the idea of business development, SONPO representatives critically assessed the possibilities of the strategy, the main barriers to which are shortage of human resources, lack of the necessary level of qualifications and necessary competencies in the business. In addition, they believe that governing bodies are suspicious about any kind of business conducted by non-profit organizations in the field close to their core activity, since the core activity is free-of-charge for its recipients and NPOs are reimbursed the related costs from regional budgets. In this case, organizations are at risk of losing budget funding. The main problem of business development in NPOs is related to the lack of “free” employees: “We have a shortage of experienced managers” (Autonomous NPO, head, Yekaterinburg, 2022). According to the Ministry of Economic Development, the average number of employees in Russian SONPOs ranges from three to seven people; the data confirm the above problem. The survey participants are convinced that a strategy based on income-generating activity is suitable mainly for large organizations. However, representatives of one of the regions with a population of over four million people noted that there are only several such organizations in the entire region.

Another promising strategy for SONPOs is to receive income from endowment funds: “We are now seriously discussing the creation of endowment capital with our donors. <...> This is a long-term

solution to the problem of sustainability for our organization, <...> it’s good to live off donations, but you don’t know what will happen next (Private social institution, head, Rostov-on-Don, 2021). To implement this strategy in the framework of the current legislation, it is necessary to have an endowment fund that cannot be less than three million rubles, and it is also necessary to have partners in the business, banking, and management sectors. Not all SONPOs have the appropriate level of trust, recognition, and involvement in the business sphere. None of the informants representing SONPOs from different Russian regions had experience in creating such a fund, so the idea of generating income using such a financial instrument remains an attractive prospect rather than a strategy that is close to practical implementation.

The development of social capital due to the network involvement of non-profit organizations and their integration into network interactions could contribute to increasing their authority, “visibility” and recognition by potential business partners. This is largely determined by the level of SONPOs digital development and their financial capabilities. According to our survey, the whole range of the sources of funding allocated to the digitalization of SONPOs activities, grant funds account for 18.8%, the rest of the funding is generated from self-earned income or provided by donors. In this respect, non-profit organizations are inferior to state social service institutions that develop their digital trajectories mainly through budget financing (Arkhipova, Borodkina, 2021). Despite the representation of regional SONPOs in various areas of the digital space, this direction of their development so far involves more significant investment efforts in comparison with the dividends it brings.

## Conclusions

For Russian socially oriented non-profit organizations, grant support is a mechanism that provides a certain financial stability, which allows them not only to remain in the emerging market of social services, but also develop innovative social projects. The Presidential Grants Foundation created a competition model fundamentally different from others, since it provides sufficiently large amounts of grant funding for NPOs and has a unique ecosystem of support for contestants; thus, the model contributes to the involvement of a large number of NPOs in the social design process in a relatively short period of time. However, along with the benefits of grant subsidies, which complement the grants of private foundations, there emerge certain risks of the grant strategy of income generation, which is currently most in demand among non-profit organizations. Choosing this strategy as the main and often the only one increase the financial vulnerability of organizations, constraining the possibilities of other ways of attracting income, including interaction with potential donors, business development, participation in the implementation of government contracts, search for acceptable financial instruments offered by banks, etc. At the same time, constant participation in grant competitions does not guarantee the development of the organization, which is implied when a grant is issued, since the receipt of a new grant is usually accompanied by the completion of activities supported by the previous grant, and the probability of losing in the next grant competition poses threats not only to the implementation of planned new directions, but also to the realization of current activities. One of the main reasons for the identified risks lies not so much in the lack of understanding by representatives of NPOs of the need to combine the activities that form the income portfolio, but rather in the lack of

conditions and resources to create fundamentally new approaches to ensuring financial stability.

The question of how to overcome the increasing dependence of SONPOs on grant funds remains relevant, since representatives of organizations participating in the survey have not put forward any unambiguous solution. Obviously, there are certain limits to increasing the volume of state financing, including grant funds. This is evidenced by the reduction in the size of subsidies and the small size of tariffs for social services, which makes these funding sources less and less attractive for SONPOs. In 2021, the number of social projects supported by the PGF decreased.

At the same time, the discussed opportunities for the development of other sources of financial support associated with the promotion of SONPOs' business initiatives indicate the emerging trends of a constructive approach to the designated problem. The development of business activities and building relationships with donors, sponsors, and benefactors as resources of SONPOs' promising strategies implies the presence of experience and relevant competencies of personnel, changing organizational culture, as well as expanding the staff of NPOs. In order to move from discussing the ways to diversify income to their practical implementation, organizations need to diversify and learn how to combine income strategies, taking into account their capabilities. The growing interest in these strategies, despite the associated risks, motivates representatives of organizations to participate in social accelerator programs and other modern forms of education (Starshinova, Chikova, 2021). The culture of charity and the demand for the formation of a partner environment, according to the survey participants, directly determine the development of strategies to ensure sustainability of non-profit organizations. However, the creation of appropriate conditions in this regard requires systems changes and time.

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Received June 22, 2022.