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FCRA Rules Amendment, 2026: Stricter Oversight of Foreign-Funded NGOs

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Recent Developments:

- The **Ministry of Home Affairs (MHA)** has amended the **Foreign Contribution (Regulation) Rules, 2011** under the **Foreign Contribution (Regulation) Act (FCRA), 2010**.
- The amendments introduce **purpose-specific registration, geographical restrictions, expanded disclosure norms, stricter fund-utilisation conditions, revised penalties, and enhanced accountability mechanisms** for NGOs receiving foreign contributions.

Foreign Contribution (Regulation) Act (FCRA), 2010:

Background and Objectives:

- The **FCRA, 2010** regulates the acceptance, utilisation and management of foreign contributions and foreign hospitality by individuals, associations and organisations.
- The Act seeks to ensure that foreign funding does not adversely affect **India's sovereignty, integrity, security, strategic interests, public interest, electoral processes and communal harmony**.
- The law aims to promote **transparency, accountability and lawful utilisation** of foreign funds.
- The **Ministry of Home Affairs** acts as the nodal authority for implementation and monitoring of the Act.

Constitutional Dimensions:

- **Article 19(1)(c)** guarantees citizens the right to form associations and unions.
- **Article 19(4)** permits reasonable restrictions in the interests of **sovereignty, integrity of India and public order**.
- Regulation of foreign funding is often justified as a measure to protect national security while balancing civil society freedoms.

Major Amendments Introduced in 2026:

Purpose-Specific Registration:

- Earlier, NGOs registered under broad categories such as **Social, Economic, Educational, Cultural and Religious**.
- The amended rules require organisations to select activities only from a **government-notified schedule of approved activities**.
- Registration certificates will now explicitly mention the approved purpose or purposes for which foreign funds may be utilised.
- The amendment shifts the framework from broad categorisation to **activity-specific regulation**.

Geographical Restrictions on Operations:

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- Registration certificates will now specify the **States and Union Territories** where activities can be undertaken.
- Existing FCRA-registered organisations must submit revised details through **Form FC-6F** within one year.
- Geography becomes an integral component of FCRA authorisation and monitoring.

Enhanced Disclosure and Transparency Requirements:

Additional Information to be Furnished:

- NGOs must disclose:
- Website details, social media accounts and digital presence.
- Detailed activity reports and operational information.
- Publications issued by the organisation or key functionaries.
- Information regarding ultimate donors when funds are routed through intermediary entities.
- The objective is to improve transparency, traceability and uniformity in regulatory filings.

Religious Activities and Proselytisation Clause:

Permitted Religious Activities:

- Construction, renovation and maintenance of places of worship.
- Preservation of religious scriptures and heritage.
- Operation of dharamshalas, langars and similar facilities.
- Religious education and spiritual programmes.

Explicit Restriction on Proselytisation:

- Activities such as religious education, preservation of religious philosophy, revival of indigenous faith practices, satsangs and meditation programmes are permitted only when they exclude proselytisation.
- The amendment clearly distinguishes **religious and cultural activities from conversion-related activities**.

Expansion of Accountability Framework:

Broadened Definition of Key Functionary:

- The term now includes:
- Trustees.
- Partners of firms.
- Directors of companies.
- Members of governing bodies.
- Karta or head of a HindUndivided Family (HUF).
- Any person exercising managerial control over the organisation.
- The expanded definition widens regulatory scrutiny and personal accountability.

Stricter Eligibility and Utilisation Conditions:

Restrictions on Foreign Nationals:

- Organisations having foreign nationals, other than **Persons of Indian Origin (PIOs)**, as key functionaries will ordinarily not be eligible for:
- FCRA registration.
- Prior permission to receive foreign contributions.
- The Central Government may grant exemptions through specific orders.

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Minimum Utilisation Requirement:

- An organisation will be regarded as having undertaken reasonable activity only if it has utilised at least **₹10 lakh** of foreign contribution during the previous two financial years.
- The criterion may influence decisions regarding renewal and cancellation of registration.

Conditions for Subsequent Instalments:

- In cases involving prior permission, additional instalments will be released only after:
- Utilisation of at least **75%** of the previous instalment.
- Verification of utilisation through field inquiry.

Revised Penalty Framework:

Administrative Expense Violations:

- If administrative expenditure exceeds the prescribed **20% ceiling**, the penalty shall be:
- ₹1 lakh, or
- 5% of the excess amount,
- Whichever is higher.

Speculative Investments:

- Investment of foreign contributions in speculative ventures attracts:
- ₹1 lakh penalty, or
- 30% of the invested amount,
- Whichever is higher.
- Recovery of 100% of returns earned from such investments is also mandated.

Diversion or Misuse of Funds:

- Utilisation of foreign contributions for unauthorised purposes attracts:
- ₹1 lakh penalty, or
- 30% of the misused amount,
- Whichever is higher.
- The revised framework prescribes a **minimum penalty of ₹1 lakh** for violations.

Earlier Important FCRA Reforms:

FCRA Amendment Act, 2020:

- Mandatory **Aadhaar identification** for key functionaries.
- Opening of designated **FCRA Account at SBI, New Delhi Main Branch**.
- Prohibition on transfer of foreign contributions to other NGOs.
- Reduction of administrative expenditure ceiling from **50% to 20%**.
- Enhanced powers of the government to suspend utilisation of funds during inquiry.

Significance of the Amendments:

Potential Benefits:

- Greater transparency in foreign-funded activities.
- Stronger monitoring of fund utilisation.
- Better alignment between approved objectives and actual activities.

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- Enhanced safeguards against diversion, misuse and opaque funding structures.
- Improved oversight in matters linked to national security and public order.

Concerns Raised:

- Increased compliance burden on NGOs.
- Higher registration and operational costs due to activity-specific and geography-specific approvals.
- Reduced flexibility in programme implementation.
- Possibility of shrinking operational space for civil society organisations dependent on foreign funding.
- Concerns regarding excessive state oversight over voluntary organisations.

Way Forward:

Balancing Regulation and Civil Society Autonomy:

- Regulatory oversight should be accompanied by procedural clarity and predictability.
- Compliance mechanisms should focus on transparency without discouraging legitimate developmental activities.
- Technology-driven monitoring and risk-based regulation can reduce administrative burdens.
- A balanced framework should safeguard national interests while preserving the constructive role of civil society organisations.

Value Addition for UPSC:

Important Supreme Court Judgment:

- **NGO Association for Democratic Reforms v. Union of India (2022)** and related challenges reaffirmed that the receipt of foreign contribution is **not a fundamental right**, and Parliament can regulate such funding in the interests of sovereignty and national security.

Prelims Pointers:

- **FCRA enacted:** 2010 (replacing FCRA, 1976).
- **Nodal Ministry:** Ministry of Home Affairs.
- **Validity of registration:** 5 years.
- **Administrative expense limit:** 20%.
- **Designated FCRA account:** SBI, New Delhi Main Branch.

Constitutional linkage: Articles **19(1)(c)** and **19(4)**