

What is the difference between a grant and a donation?

Both Grants and Donations are gifts. Donation is a free and unrestricted contribution. A grant is for a specific purpose with specific terms and conditions. A donation is an unrestricted fund. You can take it for administration, utilise it for any particular programme, utilise it for developing your website.

Suppose if I give a grant of rupees one lakh then I would specify the deliverables for the same. You should run a particular project. It becomes a contractual agreement. Today we are coming to a world where the grant maker is a social investor. As a foundation you don't want to be an operational foundation, you want to be a grant making foundation. Basically you are using NGOs as a medium to carry out your work. There are various conditions to it.

We shall give it to you for 3 years. You shall give us financial reports. Nowadays grant makers also demand the recipient donor to have separate bank accounts for the grant. Its very well monitored how you use it and then the deliverables. It has to match with the budgets which was given. And the variables cannot go beyond a particular percentage. So everything is monitored, everything is regulated. So what has happened is that donation is a very free and unrestricted donation whereas the grant is a very purpose specific with defined terms and conditions.

Audience: Then is it that the earmarked funds can also be treated as grants and shown as liability.

Speaker: Can be. But I will show that as a liability in my books of accounts. And as and when I spend from it for my travel or for programmes like this it will reduce my liability.