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Centre Tightens FCRA Rules for NGO Foreign Funding

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CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

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WHY IN NEWS

The Ministry of Home Affairs (MHA) notified amendments to the Foreign Contribution (Regulation) Rules, 2011 on June 22, 2026, marking the most significant tightening of NGO foreign-funding norms in years. The changes took effect immediately and reshape how associations register, renew and report foreign contributions.

WHAT IS FCRA?

The Foreign Contribution (Regulation) Act, 2010 (FCRA) is the principal statute regulating the acceptance and utilisation of foreign contribution and foreign hospitality by individuals, associations and companies in India. Its declared object is to ensure that foreign money does not adversely affect internal security, **sovereignty** (<http://ujjyari.com/vocab/sovereignty/>) and integrity, or the functioning of democratic institutions.

The Act is administered by the Ministry of Home Affairs (MHA), not the Ministry of Finance, signalling that foreign funding is treated as a national-security and public-order question. Any non-governmental organisation (NGO) or association wishing to receive foreign contribution must either obtain prior registration or seek prior permission, and route all such funds through a single designated FCRA account at the State Bank of India, Main Branch, New Delhi.

A short legislative history

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YEAR	DEVELOPMENT
1976	Original Foreign Contribution (Regulation) Act enacted during the Emergency era to curb foreign interference in domestic politics
2010	FCRA 2010 replaced the 1976 Act, modernising definitions and tightening end-use controls
2011	Foreign Contribution (Regulation) Rules, 2011 framed under the 2010 Act
2020	FCRA (Amendment) Act 2020 barred sub-granting between NGOs, capped administrative expenses at 20 percent, and mandated the SBI New Delhi account
2022	Supreme Court upheld the 2020 amendments in Noel Harper v Union of India
2026	MHA amends the 2011 Rules on June 22, the focus of this article

THE NEW RULE CHANGES (JUNE 22, 2026)

The 2026 amendment to the 2011 Rules introduces a series of front-loaded eligibility, disclosure and fee requirements. The core changes are summarised below.

AREA	NEW REQUIREMENT
Purpose schedule	NGOs must select their purpose from a predefined schedule of five sectors: religious, cultural, economic, educational and social
Geographic declaration	Associations must declare the geographic area of operation for which foreign funds will be used
Foreign functionaries	Associations with foreign nationals (other than Persons of Indian Origin) as key functionaries are “ordinarily not considered” for registration
Spend floor for renewal	A minimum spend of Rs 10 lakh on the organisation’s core activity over the two prior financial years is required for renewal of registration
Donor transparency	Mandatory disclosure of the ultimate donor behind intermediaries and Donor-Advised Funds (DAFs)
Digital footprint	Mandatory disclosure of the association’s social-media handles
Additional-scope fee	Rs 300 extra fee for each additional purpose or each additional state of operation

Read together, these provisions shift the regulatory burden to the front of the lifecycle. Instead of policing misuse only after funds arrive, the State now screens an NGO's stated purpose, geographic reach, leadership and financial seriousness before money is permitted to flow, and demands visibility into the true source of foreign money.

Why the donor-disclosure clause matters

The requirement to name the ultimate donor behind an intermediary or a Donor-Advised Fund targets a known transparency gap. DAFs allow contributors to pool money and direct grants while the original contributor stays one step removed from the recipient. By piercing this veil, the MHA seeks to identify the real foreign source rather than the conduit, which is central to the Act's security rationale.

WHY IT MATTERS

For the government, the amendment closes perceived loopholes in source-tracing and ensures that only organisations with demonstrated activity and a clear, declared [mandate](https://ujjiyari.com/vocab/mandate/) receive foreign funds. The Rs 10 lakh spend floor is designed to filter out dormant or shell entities that retain FCRA status without meaningful work on the ground.

For the voluntary sector, the rules raise the compliance [threshold](https://ujjiyari.com/vocab/threshold/) sharply. Smaller NGOs operating on modest budgets may struggle to demonstrate the spend floor, multi-purpose and multi-state organisations face cumulative fees, and the screening of foreign functionaries narrows leadership choices for genuinely international civil-society bodies.

CRITICISM AND CONCERNS

Civil-society groups and commentators have raised several objections:

- **Chilling effect on advocacy.** Front-loaded screening of purpose and geography may discourage rights-based and research-oriented NGOs whose work is harder to slot into the five fixed sectors.
- **Disproportionate** [\(https://ujjiyari.com/vocab/disproportionate/\)](https://ujjiyari.com/vocab/disproportionate/) **burden on small NGOs.** The Rs 10 lakh spend floor over two years can exclude small but legitimate grassroots bodies.
- **Exclusion of foreign expertise.** Treating foreign-national key functionaries as “ordinarily not considered” may hamper bona fide international organisations and Indian chapters of global bodies.
- **Pattern of cancellations.** The amendment follows years in which the FCRA registrations of a large number of NGOs were cancelled or allowed to lapse, raising concerns about a shrinking civic space.

CONSTITUTIONAL ANGLE: ARTICLE 19(1)©

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The deepest tension is with Article 19(1)© of the Constitution, which guarantees all citizens the right to form associations or unions. Critics argue that severe conditions on foreign funding can indirectly throttle the functioning of associations and therefore touch this freedom.

The State's defence rests on Article 19(4), which permits reasonable restrictions on the right to form associations in the interests of the sovereignty and integrity of India, public order and morality. The government contends that regulating foreign money, as distinct from domestic donations, falls squarely within this protective field, since there is no fundamental right to receive unregulated foreign contribution.

SUPREME COURT POSITION: NOEL HARPER V UNION OF INDIA (2022)

In *Noel Harper v Union of India (2022)*, the Supreme Court upheld the validity of the FCRA (Amendment) Act, 2020, including the bar on sub-granting (transfer of foreign contribution from one FCRA-registered NGO to another) and the mandatory opening of an FCRA account at the SBI Main Branch, New Delhi.

The Court reasoned that no one has a vested right to receive foreign contribution, and that the inflow of foreign money carries the potential to influence national polity. It held that the legislature is entitled to enact strict regulatory measures, and that such regulation does not amount to a prohibition on the right to associate. This judgment provides the constitutional foundation on which the 2026 Rules build.

ANALYSIS AND WAY FORWARD

The 2026 amendment is consistent with the trajectory (<https://ujjiyari.com/vocab/trajectory/>) of FCRA jurisprudence since 2020: the State may regulate foreign funding strictly so long as it stops short of an outright prohibition and the restrictions are reasonable. The balance the government must maintain is between two legitimate goals, protecting national security and the integrity of democratic institutions on one side, and preserving a vibrant, autonomous civil society on the other.

A calibrated (<https://ujjiyari.com/vocab/calibrated/>) path forward would include the following:

- **Proportionality in thresholds.** Graded spend floors for small versus large NGOs would prevent the exclusion of genuine grassroots bodies while still filtering shell entities.
- **Predictable, time-bound processing.** Clear timelines for registration, renewal and prior-permission decisions would reduce the discretion that worries the sector.
- **Reasoned cancellations.** Cancellation or non-renewal orders should record reasons and allow a meaningful right of appeal, satisfying natural justice (<https://ujjiyari.com/terms/natural-justice/>).
- **Single-window digital compliance.** Integrating purpose, geography, donor and social-media disclosures into one portal would lower the compliance cost the rules impose.

- **Periodic review.** The five-sector schedule should be reviewed so that evolving civil-society work is not forced into ill-fitting categories.

The legitimacy of the regime will ultimately turn on whether it is administered as a tool of regulation rather than as an instrument of selective restriction.

UPSC RELEVANCE

- **GS Paper 2 (Governance):** Statutory (<https://ujivari.com/vocab/statutory/>) regulation of NGOs and the voluntary sector; role of civil society; transparency and accountability mechanisms; centre-civil society relations.
- **GS Paper 2 (Polity):** Fundamental right to form associations under Article 19(1)© and reasonable restrictions under Article 19(4); judicial review (<https://ujivari.com/terms/judicial-review/>) of restrictions.
- **Prelims:** FCRA 2010 replaced the 1976 Act; administered by MHA; FCRA account at SBI Main Branch, New Delhi; Noel Harper v Union of India (2022); the five-sector purpose schedule.
- **Mains question:** “Strict regulation of foreign contribution to NGOs is a legitimate exercise of sovereign power, but it must not become a tool to shrink civic space.” Critically examine in the light of the 2026 amendments to the FCRA Rules and Article 19(1)©. (15 marks, 250 words)
- **Linkages:** Connects to topics on national security, money-laundering and source-tracing, the role of pressure groups and associations in a democracy, and the 2020 FCRA amendments.

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Parent law: Foreign Contribution (Regulation) Act, 2010 (FCRA), which replaced the original 1976 Act.

Rules amended: Foreign Contribution (Regulation) Rules, 2011; amendment notified by the Ministry of Home Affairs (MHA) on June 22, 2026, with immediate effect.

Administering ministry: Ministry of Home Affairs (MHA), not the Ministry of Finance.

Five-sector purpose schedule: religious, cultural, economic, educational and social.

Spend floor for renewal: minimum Rs 10 lakh on core activity over the two prior financial years.

Additional-scope fee: Rs 300 extra for each additional purpose or each additional state of operation.

Foreign functionaries: associations with foreign nationals (other than Persons of Indian Origin, PIO) as key functionaries are “ordinarily not considered” for registration.

New disclosures: ultimate donor behind intermediaries and Donor-Advised Funds (DAFs); social-media handles; geographic area of operation.

Designated bank account: FCRA account at the State Bank of India (SBI) Main Branch, New Delhi (mandated by the 2020 amendment).

Key judgment: Noel Harper v Union of India (2022), in which the Supreme Court upheld the FCRA (Amendment) Act, 2020.

Constitutional anchor: Article 19(1)© guarantees the right to form associations; Article 19(4) permits reasonable restrictions.

Sources: Ministry of Home Affairs (<https://www.mhahome.gov.in>), Press Information Bureau (<https://pib.gov.in>), The Hindu (<https://www.thehindu.com>)

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CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

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