

BASIC DIRECTIONS OF THE THIRD SECTOR STRUCTUREDNESS

Maxim Ponomarev¹, Alexander Ponomarev², Alexandra Ponomareva³,
Darya Yurchenko⁴

Abstract: The article proposes a number of criteria that allow the systematization of non-commercial organizations in order to reflect the essence of their economic activities. It is necessary to structure the formation, development and functioning of non-profit organizations, taking into account such characteristics as economic goals, differentiation of types of activities, property formation sources, economic and financial criteria for activity, technology, management, etc.

JEL Classification: R1; **DOI:** <http://dx.doi.org/10.12955/cbup.v6.1188>

Keywords: third sector, non-profit organization, civil society, social orientation, classification of the non-profit sector

Introduction

Non-commercial organizations of civil society evolved spontaneously in the middle of the 19th century as a result of a number of social groups and personality interactions in the legal field (Ponomarev, 2011).

The formation of civil society institutions was evolutionary: the formalization was gradually increasing and non-profit organizations (NPOs) acquired the structure of legitimate organizations. Informal institutions of civil society act as the framework of these socio-economic structures.

The methodology of the article is formed by a system of research methods that are isomorphic to the material it investigates. The research generalizes the views of foreign and domestic scientists on the theory and methodology of socio-economic management effectiveness of a NPO. Methods based on logical and historical approaches, analysis and synthesis; methods of comparative, structural, functional, economic and statistical analysis; and methods of collecting information and monitoring the activities of NPOs were also used.

The quantitative and qualitative composition of the non-profit sector

According to the Ministry of Justice of Russia, "In 2015-2016, the total number of NPOs in Russia remained stable, with a certain growth tendency. At the end of 2015 there were about 226 thousand registered NPOs, then as of December 2016 - slightly more than 227 thousand. At the beginning of November 2017 in the register of the Ministry of Justice of Russia there are more than 223 thousand NPOs" (Ministry of Justice of the Russian Federation, 2017). It is highly difficult to determine an accurate number of working organizations and their contribution to the economy, as the system of their accounting and statistical analysis is far from being perfect.

The most recognizable categories of NPOs are presented in Table 1 (CIRCON, 2015)

Since 2010, the category of socially-oriented NPOs (SONPOs) was introduced. Statistical records of the SONPO sector are maintained by the Federal State Statistics Service (FSSS). According to the FSSS, "the number of NPOs tends to grow: if at the end of 2015 in Russia 140,031 NPOs were registered, at the end of 2016 – 143,436. This is about 63% of the total number of registered NPOs". However, in this case we should not discuss the growth of the sector, but the fact that "more and more NPOs formally belong to the category of socially-oriented organizations" – it is sufficient to mention at least one line of socially-oriented activity» (All-Russian Civil Forum, 2016).

Approaches of determination for SONPOs

For the first time the methodological foundations of organizational management are revealed in the works of the classics of economic theory. Thus, Henri Fayol, in his classic work "General and Industrial Management" (1916), divided the divisibility of enterprises into a number of groups, while he did not single out NPOs in a separate category, and did not single out socially-oriented activity as a direction for the organization. One of the first researchers who drew attention to the management of NPOs was Peter F. Drucker. In his work "Managing the Non-Profit Organization: Principles and Practices", he not only shared the management of commercial and NPOs, but he also pointed to the

¹ Economic Theory and Entrepreneurship Department, SRIM RANEPА, kardiogramma@rambler.ru

² Taxation and Accounting Department, SRIM RANEPА, ponomarev@uriu.ranepa.ru

³ Marketing and Advertising Department, RSUE "RINH", alexandra22003@rambler.ru

⁴ Secondary Vocational education Department of the faculty of economics, SRIM RANEPА, daffaa@mail.ru

ways of classifying NPOs in the context of their unique specifics. However, despite the widespread interest in NPOs, there are only classifications by function and by organizational form adopted at the state level. Other criteria for classification and structuralization are not described.

Table 1: Categories of NPOs in the Russian Federation and their recognizability	
Index	Population Share, %
Political parties	50
Labour Unions	48
Summer & garden partnerships	46
Veteran associations (e.g. veterans of the Great Patriotic War, of the security forces, etc.)	44
Consumer Rights Protection Societies	43
Society of Disabled People	42
Associations of homeowners, housing cooperatives, etc.	40
Religious communities, organizations	34
House committees, seniors by houses and entrances	33
Sports, tourist, hunting, motorist associations / clubs, etc.	31
Ecological organizations	27
Charitable organizations (children's shelters, assistance to victims of violence, drug addicts, refugees, homeless people, etc.)	27
Music fans groups, cinema, painting, theater, dance, etc.	24
Charity initiatives / actions (collecting money / things for homeless people, orphanages, victims, needy, etc.)	23
Human rights organizations (legal assistance to victims of arbitrariness of authorities, recruits, committees of soldiers' mothers)	22
I do not know about any	21
Women's organizations	19
Youth political associations	19
Youth informal associations of a non-political nature	17
Initiative groups, associations of parents (children of preschool age, children attending kindergartens, schoolchildren, disabled children, etc.)	17
Groups, school / student government, including student councils, councils of hostels, etc.	17
Territorial public self-government, local initiative groups of residential areas (e.g. gardening, playgrounds, grounds for walking dog arrangement)	16
Charitable funds	16
Professional associations / creative unions	15
Ethnic communities, national diasporas	15
National-patriotic movements	11
Local initiatives	9
Others	0

Source: The table was compiled by the author, based on the data of the CIRCON research group, 2015

A number of Russian scientists studied the management features of a NPO. Hence, we would like to single out the works of such authors as T. Tselutina, A. Podvigailo, O. Kulikova, Y. Zaryanova, who considered the effectiveness and its types as a classification criterion of NPOs. First of all, this approach is based on the attitude towards non-governmental organizations (NGOs) as an element of civil society, and a structuralist approach being implemented. In the same work V. Sagomonyan shows the creative specifics of NPO activities and as a criterion for the automation of their activities. These Russian authors are looking for a new approach at the problem of NPOs, since the neo-institutional approach to the domestic economy is an actual trend.

A number of Russian authors who study NPOs speak of such a structuralization criterion as innovative development. The authors M. Kirsanov, I. Razdolskaya show the relationship between the economic sector and the degree of its innovation, while others like H. Hansmann, V. Sagomonyan sort out the gradation of innovation for different types of NPOs.

At the same time, for the formation of the institutional foundations of modernization and innovative management of an NPO, it is necessary to form a new concept of an effective management process. One has to take into account the renewal of the internal environment of the organization and its

integration into the external environment along with the differentiation of its goals and the formation of mechanisms capable of changing the external environment in the interests of NPOs.

State statistics do not allow real accounting of NPOs and do not give an idea of the resources, structure, and employment of the third sector. Quantitative estimates of the third sector of the economy vary greatly as thousands of organizations are listed as registered, but do not conduct any activity and thus their real data may be absent.

The quantitative characteristics of actual working organizations and their contribution to the economy are difficult to determine, since there is no single classification of the third sector and unified methods for their evaluation. The Public Chamber of the Russian Federation is intended to improve and revise the NPO evaluation system for the purpose of creating a new all-Russian register of NPOs; such organizations, being non-state, use the laws of social relations for the realization of socially-oriented goals, which do not always coincide with the state goals and have their own idea of the provision of social goods and services.

Various decisions on economic development adopted by the state, regional and municipal authorities consider the interests of the state, regional and local government and business, but not the interests of NPOs and individual citizens.

Existing institutions that declare their commitment to protecting the interests of the individual usually do not incarnate this function. Proceeding from this, the priority task being the mission of civil society institutions (including NPOs), is the stabilization and settlement of contradictions in conflict zones located at the intersection of the state, business and local government interests in order to favor society as a whole and its individual representatives.

Civil society, its institutions and organizations are meant to defend their rights and demands through criticism, discussions and conflicts. Institutes and organizations of market economy are on the one hand in confrontation with institutions and organizations of civil society, and on the other are meant to interact and jointly solve economic and social problems.

The civil society in Russia initially had a communal character; its development showed its role is not a subsystem of a modern socio-economic formation, but a new stage. The third sector and civil society is called upon not only to solve the problems and contradictions of the state and business, but is self-sufficient in nature and is the "gravedigger" of the modern socio-economic system. The image of a family, private property and the state became perceived. Since they arose, they also will die out in historical development. Private property will grow into communal, common and public property. The family will be based on blood-related ties, feelings and traditions. State relations and relations in general will gradually develop into contractual relations and relations based on trust, while state functions will give way to self-government, self-regulation, co-regulation and self-employment.

Conflict environment, discussions, disputes accompanying the process of development and formation of civil society, bureaucracy, injustice, impunity and lawlessness of state and power structures confirm the need for the emergence and development of other industrial and social relations as well as the significance of the third sector in their development.

We believe that it is necessary to detail and structure the formation, development and functioning of non-commercial organizations in a manner that is not only legal but also appropriate in terms of such characteristics as economic goals, differentiation of activities, sources of property formation, and financial activities, technology, management, etc.

Structuring approaches to the third sector of the economy

The unstructured nature of a third sector in Russia leads to stringent requirements for the registration of NPOs, which complained in the first place that representatives of small SONPOs constitute the vast majority of the sector: there is no simplified NPO registration procedure or standard on how to obtain government services at the portal of public services of the Russian Federation and in the service one window in the governmental multi-functional centres (MFC) (Public Chamber of the Russian Federation, 2016). Today, registering and maintaining the status of NPOs is more difficult than registering and maintaining the status of an entrepreneur. It is easier to open a limited liability company (LLC) than an NPO, and non-commercial initiatives are registered as a business very often. On the one hand, given that many NGOs collect private donations and apply for government support,

it is justified, while on the other - is a barrier to entry into the sector of small socially-oriented initiatives.

There is a permanent discussion considering the redundancy of NPO reporting, which is significantly "harder" for small business reporting. There is as much as 59 statistical forms for NPOs (Federal State Statistics Service), yet there are reports in the Federal Tax Service, the Ministry of Justice of Russia, and social funds "(All-Russian Civil Forum, 2016). NPOs, on an equal basis with industrial enterprises, must annually submit to the Social Insurance Fund a certificate of absence of harmful and dangerous working conditions, otherwise an accident insurance tax increases for NGOs. General requirements for commercial and non-profit organizations limit the possibilities for introducing additional tax benefits and preferences for certain categories of NPOs. For small organizations, such reporting is a very serious burden. This is probably the reason for the fact that the third sector - as a set of registered NPOs - is not quantitatively growing in Russia, but is decreasing.

We propose a number of criteria that would make it possible to systematize NPOs, reflect both the content of their economic activities and identify the basic points of taxation approach formation (Ponomarev, 2011):

- the form of ownership of the NPO;
- a way to manage NPOs;
- the nature of NPO services;
- activity tools;
- scope of rights of the founder (participant) of the NPO;
- scope of activities of NPOs;
- a way of financing of expenses;
- target financing of NPOs;
- the conditions of financial and economic activities of NPOs;
- target audience of NPOs;
- sources and forms of financing for NPOs;
- activities;
- the economic goal set for NPOs.

So-called market oriented NPOs can provide commercial services to the population or sell goods, in which the proceeds are used to support statutory goals. At the same time, making a profit is not the main goal since there are many other mechanisms for obtaining working capital.

This type of NPO, in particular, includes:

- non-profit organizations created by commercial enterprises to provide various services and represent their interests (for example, chambers of commerce, stock exchanges, business associations);
- non-profit organizations whose purpose is to provide high-quality services in the field of health care, education, etc. for a fee (for example, non-state hospitals, schools, universities).

Non-market NPOs are based on providing goods and services free of charge or at "economically significant prices". In this case, their existence relies on contributions and other income sources.

As an example of non-market NPOs we name religious, voluntary associations of citizens, various funds existing in the system of socially useful purposes, as well as:

- political parties, clubs, societies, etc.
- public organizations, which contain shelters and rehabilitation centers.
- Creative unions whose mission is to protect the interests of certain groups, express their consolidated point of view and form a reasonable competitive environment.
- branched professional and corporate associations, various government funds sponsored from the budget sports clubs.
- small SONPOs, working at the municipal level.
- microprocess NPOs sold in the district, residential complex, home.
- Integration of initiatives of individual subjects of social and economic activity.
- various forms of partner and unions of NGOs (Ponomarev M., 2015)

- Associations of legal entities (associations and unions);
- Russian Chamber of Commerce and Industry;
- Credit union of consumers;
- Independent Institute of Civil Society;
- National Association of Stock Market Participants (NAUFOR);
- Professional Association of Registrars, Transfer Agents and Depositories (PARTAD);
- The Russian Guild of Realtors (RGR), etc.

"In terms of ownership, NPOs are divided into: state, interstate, municipal, public, private, budgetary, state, autonomous, partnerships" (Resolution of the Civil Codex of the Russian Federation on March 30, 1999)

"The way to manage a non-profit organization is singled out by joint structures, the management of which is completely controlled by the founders or consumers of goods and independent structures in which management is carried out on an independent basis without the participation of founders or consumers" (Hansmann, 2015)

Based on the above-described criterion, we in the early works identified four types of NPOs:

- Entrepreneurial joint;
- Entrepreneurial independent;
- donor joint;
- donor independent.

In revealing the criteria, the NPOs are divided into:

organizations involved in the collection and distribution of funds, as a rule, are charitable organizations and funds;

- specialized institutions;
- organizations coordinating the activities of a certain circle of persons and other organizations, such as unions of organizations, non-profit partnerships, public organizations;
- organizations that invest in social activities. This type includes structures that systematically carry out large financial investments in the social sphere - grantors, firms acting as co-investors of urban social projects, etc.;
- organizations that regularly carry out social expenditures, for example: consumer cooperatives, religious organizations, socially oriented commercial structures.

The report of the Public Chamber on the status of civil societies in the Russian Federation for 2017 noted that "NGOs should become more transparent and accountable. Yes, we have some organizations already making public reports, but so far this is very small. NPOs should also improve interaction with each other, create partnerships, create self-regulatory organizations that will protect them from fraud and help them become more accountable, act in accordance with high ethical standards "(Report on the state of civil society, 2017). We believe that in order to structure the third sector, it is necessary to create special interregional governing bodies of the NPO. Their functions would be to draw up medium-term and long-term development prospects, to monitor, to conduct expertise, and to summarize experience and successful practices.

Conclusion

Systematization of NPOs is only the first step towards the renewed role of NPOs in Russia. At the state level, a set of measures is needed to optimize their activities, namely: creation of information centers coordinating the development of NPOs; performing analytical support of activities, the results of which should be as open as possible; development of road maps for the achievement of priority tasks and key activities of NPOs; definition of resource support for the development of SONPOs; development of a system of indicators characterizing the development of NGOs in the region; inclusion in the annual public reports of senior officials of the region and municipalities of the results of activities of NPOs.

It is necessary to adopt a separate law, which will contain the basic framework rules for the activities of the third sector, as done in Germany. Non-profit societies can specify in the statutory documents the nuances of the organization's activities, for example, entry and exit rules and society, the duties of members, rules for the formation of management structures, voting rules, rules for the formation and

publication of reports and information on the activities of NPOs, as well as the structure of their expenditures.

References

All-Russian Civil Forum. (2018, May 10). Retrieved from <https://civil-forum.ru/forums/2018/>

Hansmann, H. (1987). *Economic The Nonprofit Sector: A Research Handbook: Theories of Nonprofit Organization*. Haven: Yale University Press

Ponomarev, M. (2011). *Institutionalization of the functioning of non-profit organizations in modern Russia: author's abstract of the dissertation*. Vladikavkaz: Osetian state university

Report on the state of civil society. (2017). Retrieved from <https://www.oprf.ru/documents/1151/2529/>

Sagomonyan, V.V. (2014). Analysis of project management tools application for automation of NPOs in Russia. Materials of the international scientific and practical conference «Innovation vector of the development of science». Vol I.

Tselutina, T.V., Podvigailo, A.A., Kulikova, O.V., (2015) From the effectiveness of civil society institutions to the sustainability of regional development and improving the quality of life. *Modern problems of science and education*, №2.