

Is India Philanthropy-Savvy? Some Stats & Facts

Azim Premji raises the bar to philanthropic commitment. How can people of tremendous wealth create social change with their contribution?

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Azim Premji has been one name that stands apart from the rest of his peers. Chairman of Indian conglomerate Wipro Ltd recently announced a generous increase in his philanthropic commitments by INR 52,750 crore (\$7.5 billion). Approximately 34 per cent shares of India's leading IT Software Company would hence be transferred to the endowment that supports the Azim Premji Foundation.

"With this action, the total value of the philanthropic endowment corpus contributed by Mr Premji is \$21 billion (INR 1.45 lakh crore), which includes 67 per cent of economic ownership of Wipro," the company said in a press release. Apart from increasing the annual grants by three times to other non-profit organisations, the foundation will utilize the funds to deepen the field work into education.

Individuals like Azim Premji hold the power to inspire more entrepreneurs would join the cause of giving. However, not many HNIs from India's billionaire club has shown much interest in the act of philanthropy. While India has witnessed a strong philanthropic momentum in the recent past, a significant portion of this comes from a few established figures who continue to lead individual giving.

According to the Indian Philanthropy Report released by the Bain & Company, the individual philanthropist funding has seen strong growth of 21 per cent per year since 2014, ultra-rich contributing to about 60 per cent of the total private funding in India, estimated at INR 43,000 crore but 80 per cent of it comes from Azim Premji's donations to his philanthropic organisation alone.

The report suggests that if Premji's contributions are excluded, donations of INR 10 crore and above have declined 4 per cent in India since 2014. Ironically, the proportion of individuals worth over \$50 million has grown by 12 per cent and is expected to double in both volume and wealth. The combined net worth of UHNI household can increase from INR 1,53,000 crore in 2017 to INR 3,52,000 crore in 2022.

India vs the US

According to the Giving USA, the individual and bequest contributions to the US's total private funding in 2017 were approximately 80 per cent. Upon comparing India's weighted average participation with the US, the Bain report suggested an additional strategic giving potential of INR 40,000 to 60,000 crore from large UHNI donors alone, indicating a potential increase of 2.5 to 3.5 times the current level of giving.

Vidya Shah, the CEO of EdelGive Foundation believes that the path to institutionalized giving will evolve as the economy and country evolve. The percentage of private Indian philanthropy to the Gross Domestic Product (GDP) was 0.31 per cent in FY2016 and is expected to go marginally up to 0.33 per cent, she pointed, suggesting, "There is ample headroom for growth in private philanthropy."

"The biggest barrier to giving is the lack of knowledge. Only through effective dialogue, exchange of ideas and intent to collaborate to reduce duplicity and ensure efficiency of resources, can we increase philanthropic giving," she provided. **Paraj Primlani, Founder at Parafit India** feels the mindsets of people here are solely focus on earning, making investments and expanding their business to earn more profit.

Philanthropy - A Caged Concept in India?

Indian philanthropy sector is a closed system with little publicly available data and a standardized review process. "There are several HNIs in India who are involved in philanthropy. Many choose to keep it confidential, some support local issues (religious, or close to their location). Some of them hesitate to fund NGOs fearing the funds may be used transparently," stated **Nivedita Das Gupta, India Country Head, Miracle Foundation**.

Moreover, the system fosters a lack of trust between funders and NGOs and an aversion to risk. Most NGOs operate in the unorganized sector and hence convincing corporates to contribute capital for a cause becomes challenging, leaving the funds unutilized. "Everyone in the philanthropy eco-system are (treated as) infallible saviours, creating a reluctance to admit error and share failures and open up our work to public scrutiny," Shah expressed.

While NGOs complain that funders are apathetic to grassroots challenges, refuse to fund organisation costs but still demand detailed audits and monitoring reports, want great leadership but at inadequate salary costs, funders believe that accountability and transparency are absent in the sector, NGOs cannot or do not want to scale, do not measure their work adequately or effectively and are poor at fundraising, he added.

Missing Avenues

The success of Azim Premji Foundation, Bharti Foundation and Piramal Foundation assume the ascendancy and growth of Indian philanthropists. "Organisations working in the development sector understand that the problems they face are multi-faceted and that we collectively need to better understand the system and ask the right questions."

Gupta feels that corporates have their own agenda to support a particular thematic area and at times are unable to consider development in a larger perspective. “Most corporates look for philanthropy options closer to their office and many opportunities get lost as they do not fall in their geographical area. A wider outlook by corporates will see a huge change in social development,” she provided.

The gap between societal needs and corporate is increasing due to mismatched expectations. Innumerable NGO's constantly suffer because of insufficient funds provided to them, states Primlani, adding, “NGO's have lack of organization due to which they are not able to convey the importance of their good cause to these companies.”

Government's Push

Seeing revenue building becoming the sole purpose of various organizations, the government of India mandated for large companies to spend at least 2 per cent of their profits every year on corporate social responsibility (CSR) under the new Companies Act in 2013. The rule applies to companies with an average net profit of at least INR 50 million over a period of three years.

The CSR mandate has pushed organizations to make contributions to societal development. Shah feels that despite the law, companies would have generously private philanthropy because enterprises today are increasingly focusing more on stakeholder capitalism vs shareholder capitalism. While the shareholder capitalism focuses only on creating value for the shareholder, a stakeholder approach includes customers, employees, regulators, government and society at large.

“It involves building the ability to manage multiple bottom lines beyond the bottom line related to profits; such as those related to customer centricity, employee welfare, government and regulator interactions and most importantly the value added to society by creating jobs, making efficient investments and directing CSR budgets, strategically and thoughtfully,” she stated.

Public-Private Partnerships

While private philanthropic capital is growing and room exists for further acceleration, private philanthropy should collaborate with the government to maximise the impact of each rupee. “Public-private partnership can ensure speedily and cost-effectiveness in power, technology and infrastructure,” provided Primlani, adding, “This can generate huge productivity through optimal utilization of resources.”

While the government continues to be the largest contributor to social sector funding in India, hovering at about 6per cent of GDP, private philanthropy is expanding and has outpaced public funding growth. However, increased spending from the government in cleanliness, health and housing-related schemes has encouraged active participation from private individuals and organisations.

Needless to say, private philanthropy is more inclined to address the problems government authorities are bringing up. There is a huge potential for private philanthropy to work closely with the Government, especially when scale and sustainability are considered while conceiving programmes at the grassroots. Swachh Bharat and Skill India are the two most successful examples of such partnerships.