

# PHILANTHROPY IN INDIA

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## Summary Report

### INTRODUCTION

As in so many emerging economy countries where philanthropy is said to be relatively ‘undeveloped’, India is traditionally a nation of givers. But widespread informal giving doesn’t find its way into surveys. Support to NGOs, including corporate philanthropy, accounts for only a small proportion of Indian philanthropy, and the bulk of this is for service delivery. Only a tiny fraction is rights-based or aimed at social transformation.

But the situation is changing. India’s wealthy are beginning to give more in more organized ways, and younger philanthropists are increasingly active. But the biggest story in Indian philanthropy is the growth of ‘retail’ giving by India’s burgeoning middle-class.

This new report aims to provide an overview of philanthropy in India today, particularly shining a light on new areas and innovations, and the implications of these for its future role. It is a work in progress, not a finished document.

### WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN INDIA?

#### Impact-focused philanthropy

An increasing number of philanthropists, especially those in the tech and financial services industries, are engaging in impact-focused philanthropy, also described as technocratic or western-oriented philanthropy. This involves using business

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A working paper

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approaches and an emphasis on scale and maximum impact, efficiency, return on capital and impact measurement.

While India's growing number of HNWIs are giving more, there have also been significant shifts in their thinking. Philanthropists' doubts about the credibility of NGOs persist, but confidence is growing. Increasingly, they are investing to solve structural and delivery problems in sectors like education, healthcare and water/sanitation.

### **Progressive philanthropy**

A small number of India's philanthropists are willing to act more boldly to tackle structural issues, including, most prominently, Azim Premji and Rohini Nilekani. One example is the Independent and Public Spirited Media Trust, which aims to funnel the donations of a consortium of philanthropists supporting independent media.

### **Corporate philanthropy**

While CSR has increased significantly since the Indian Companies Act 2013 made it mandatory for companies over a certain size, the full potential of the Act has yet to be realized. The new CSR funds are mostly going to 'safe' areas such as education and care of the elderly, and priority programmes established by the government such as the sanitation programme and the campaign to save/educate the girl child.

While some companies see the advantages of partnering with NGOs who know what they're doing, many are setting up their own corporate foundations, or strengthening existing ones, thus keeping more control over their money.

### **Impact investing**

Impact investing is still a nascent sector in India, but it is growing. So far funds have come largely from development finance institutions and foundations, but more recently HNWIs and companies have also begun to engage in impact investing. The sector relies largely on foreign capital, but Indian angel investors and retail investors have started contributing, though their contribution is still very small.

Microfinance accounts for the largest share of impact investing deals (51 per cent by value), and its success has paved the way for investing in other sectors, mostly delivering products and services for low-income people. These tend to fill gaps left by inefficient public sector delivery and expensive private sector options. By making the initial investments, impact investors hope to encourage mainstream investors to invest in areas they would have seen as too risky.

### **Social justice philanthropy**

Funding for human rights and other complex issues has been diminishing, both because foreign donors – foundations, aid agencies and international NGOs – are turning to other countries perceived as being in greater need of support and because of growing government intolerance of what it sees as interference in political affairs

by the non-profit sector and its use of the Foreign Contributions Regulation Act (FCRA) to curb it.

Civil society organizations working on human rights and other complex issues must now look to indigenous donors and speak to new audiences – something they have yet to learn to do.

Both the new CSR money and the new forms of philanthropy favoured by the newly wealthy tend to concentrate on service provision, which is seen as politically ‘safe’. With a few exceptions, Indian foundations and individuals have shied away from social justice questions. Exceptions include the National Foundation for India, Dalit Foundation and Nirnaya, which are playing an important role in supporting grassroots activists and small civil society initiatives.

### **Self-funded activist movements**

Another layer of social justice philanthropy is local funding by individuals, often members of marginalized groups using their own resources to support their struggles. Examples are villages that are going to be displaced by a large industrial project or campaigns for the rights of the poor and marginalized, including the Right to Information, the Right to Work and the Right to Food. Traditionally this would not be seen as in the philanthropy domain.

For movements like these, accepting funding from the state, foreign funders or other institutional funders compromises their position and independence. Where needed, for example for a campaign or event, money is raised through crowdfunding. Some groups have members who pay regular dues, graded so as to include the very poor. The fact that money comes from a huge spread of people gives the cause legitimacy. The ability of these movements to raise funds is seen by many as boding well for the prospects of wider fundraising from the public.

### **Community philanthropy**

The Community Foundation Atlas shows 21 dots indicating community foundations in India, but the organizations represented do not yet see themselves as a sector or field. There’s currently no organization in India that is bringing them together, so they tend to exist in isolation from each other.

At present India has people’s movements, women’s rights groups, Dalit groups and others that sustain themselves without external funding support, either through entrepreneurial activities or through fundraising, but they don’t see themselves as community philanthropy. If community philanthropy includes community control and community resources, it seems generally agreed that there aren’t currently any organizations that meet this definition in India.

It is not clear what sort of institutional form Indian community philanthropy might take. Questions being asked include: is ‘grantmaking’ a relevant tool for community philanthropy in India? Is generating resources within very poor communities part of a

legitimate model? Do we need to broaden the scope of what these resources may be? The bottom line seems to be that a community philanthropy organization will work long term within the community, mobilizing resources for community needs to bring changes the community wants.

### **Individual giving by ordinary people**

The rise of middle-class giving is perhaps the most significant trend in Indian philanthropy. These new givers are professionals, working class people, people from the start-up economy, and their average age is going down.

#### *Crowdfunding*

Younger people in particular are likely to give through crowdfunding platforms – a new but growing phenomenon in India. The ‘big three’ are Ketto, Bitgiving and ImpactGuru. These raise funds for businesses, individuals and non-profits, mostly service-oriented charities. Small Change is a new venture which raises money only for NGOs.

#### *DaanUtsav*

DaanUtsav started in 2009 as Joy of Giving Week. By 2014 around 4 million were taking part including, increasingly, low-income givers such as autorickshaw drivers. Giving is largely informal, with maybe three or four times as much volunteering as giving. Again, only a very small proportion is focused on rights and advocacy.

#### *Fundraising*

Indian NGO CRY has been fundraising since 1979 and now raises 80-90 per cent of its income from small individual donations, all from Indians. The rest comes from corporate fundraising. This has given CRY a great deal of independence. CRY uses direct mail, face-to-face, telephone and online fundraising. Online fundraising is still minuscule, but it’s set to grow as middle-class Indians becoming more comfortable with online banking. The next step is to develop regular donations. One big challenge is competition from the big international NGOs, which have been fundraising very successfully in India since 2009.

#### *Payroll giving*

GiveIndia and CAF India both work with individual donors and have active payroll giving programmes.

### **Philanthropy infrastructure**

Relative to the number of NGOs and the size and diversity of the country, India has very few organizations actively supporting philanthropy. Large philanthropists have family/foundation offices, and there are strategic philanthropy organizations like Dasra and forums like the India Philanthropy Initiative. There is no membership association for donors, though international networks are becoming increasingly important. The Asia Venture Philanthropy Network has 66 Indian members out of a

total of 381. The CSR provision in the Companies Act has spawned a large number of supporting organizations.

The lack of information on the non-profit sector in India is widely acknowledged. But things are changing. GuideStar India now has 8,000 NGOs voluntarily reporting on its portal; organizations like Bain & Co and the Hurun Research Institute are producing reports annually; and the 2015 establishment of the Centre for Social Impact and Philanthropy at Ashoka University is widely seen as a step forward.

### *Organizations that carry out verification/certification of NGOs*

Distrust of NGOs is a recurring theme in India, but a new set of players whose task is to certify/verify/accredit NGOs are helping to change attitudes. This includes GuideStar India, Credibility Alliance, CAF India, Dasra, GiveIndia, Give2Asia, Caring Friends and the various crowdfunding platforms.

## WHAT IS DRIVING PHILANTHROPY IN INDIA?

A number of factors are driving the growth of philanthropy:

**India's growing wealth** Increasing prosperity is driving giving both by India's growing population of billionaires and millionaires and by ordinary people of modest means.

**Unmet need** Almost 33 per cent of the Indian population live below the international poverty line of US\$ 1.25 per day and around 69 per cent live on less than \$2 per day, and it is clear that government can't meet this need.

**Changing attitudes among philanthropists** Philanthropy is beginning to shift from a 'charity' frame of mind to an 'accountable investment in development' frame. Increasingly, philanthropists are collaborating to pool resources for 'maximum impact', allocating resources to big-impact, scalable projects, mostly providing services. They are looking to use their business skills, networks and influence in their philanthropic initiatives, and experimenting with a variety of giving models.

**The increasing number of young givers** People are getting wealthy sooner and young people are increasingly engaging in philanthropy. Divergent giving philosophies between generations are improving the quality of family giving.

**An increased openness about philanthropy** In general philanthropy is much more visible in the media, and individuals are more willing to talk about their philanthropy.

**Crowdfunding and tech tools** The mushrooming of crowdfunding platforms and the growing ease of online payments and transactions have given giving a boost.

## WHAT IS HOLDING BACK PHILANTHROPY IN INDIA?

### Lack of confidence in NGOs

Mistrust of NGOs and donors not being aware of NGOs matching their interests are widely perceived problems. And the message that NGOs are corrupt and incompetent is reinforced by both government and media.

NGOs are criticized for being bad at telling stories and for lack of transparent communication about use of resources. Appealing to individual givers is in any case a challenge for NGOs, especially those addressing social justice issues, as givers tend to be drawn by heartrending stories of life and death.

NGOs are also perceived by many as unaccountable – though it can be argued that the problem is now with the NGOs and that it's donor education that is needed to enable them to listen to NGOs and understand the complexity of the issues they are addressing.

Related to the more general mistrust of NGOs, in India the wealthy and social activists tend not to trust or like each other. While social justice groups tend to see every penny companies make as blood money, companies see social justice groups as at best bleeding hearts, at worst misusing funds. And not many organizations are positioned to build bridges between rights and justice groups and mainstream philanthropy. Closing this gap will involve working with the media to correct perceptions on both sides.

### Attitudes of wealthy people

Many wealthy people, especially old-wealth families, still believe that they should pass wealth on to the next generation. While some see social development as the government's responsibility, others think their CSR investment should suffice.

Donors are often limited in the areas they support. Personal affiliation is a key driver of giving, but it also means that funding tends to go towards donors' ethnic community, religion or geographical region. Education attracts a disproportionate amount of funding, and most funds still go to programmes or projects rather than institutions.

A number of specific factors come into play when it comes to social justice philanthropy. While most donors lack a systemic understanding of change, they also fear that challenging power relations will lead to adverse political responses from the state and other elites. The scale of deprivation in India can lead philanthropists to feel that feeding the hungry, etc is enough. The fact that India is still a highly unequal, feudal and caste-driven society is another factor.

## Regulatory issues

Perhaps the most significant regulatory issue is the government crackdown on foreign donors and international NGOs supporting/working on sensitive social issues through the FCRA.

While lack of tax incentives for philanthropy is seen as a problem, there are actual disincentives for both CSR and impact investing. For CSR, the issue is that it cannot be written off as business expenditure, unlike grants made to its own foundation or a partner NGO. For impact investing, the issue is that foundations risk losing tax-exempt status if they invest in for-profit companies, including for-profit start-ups in government priority sectors like agriculture, microcredit and low-income housing, which need equity finance.

## Other issues

Another inhibiting factor is the lack of infrastructure for promoting philanthropy. There are some organizations doing it but too few for a country the size of India.

A shortage of talent is another factor. While there is a lack of talented people to staff foundations, access to skilled human resources has been identified by impact enterprises as a bottleneck for growth.

There are also capacity issues relating to technology. Many NGOs feel they are ill equipped to take advantage of digital platforms to raise funds. Reasons include insufficiently trained staff, poor quality of existing donor databases, and inadequate funding to invest in online giving tools and promotional activities.

A specific issue for impact investing is the underdeveloped market infrastructure. Intermediaries to help investors to find investible enterprises are too small and too few. Also needed is more early stage funding and the more structured programmes of support that go with it. Both the lack of demonstrated financial returns and India's low ranking on ease of doing business may put off potential investors.

## WHAT IS THE POTENTIAL OF PHILANTHROPY IN INDIA?

### Contributing to development

Given the limited size of philanthropic funds and the enormous funding gap that is evident 18 months into the SDGs, philanthropy will have to play a catalytic role if it is to contribute to achieving the SDGs or development outcomes in general.

One option is to try to bring more accountability to existing funding pools and to invest in systems and infrastructure to deliver funding better. A second option is to focus on bridging the gap, either by contributing funds directly or by investing in initiatives to unlock new pools of funding. One example of the latter is outcomes funding, and in particular a new funding instrument called a development or social

impact bond, also known as payment by results. The Educate Girls DIB is a good example, and the Indian government is already involved in the largest outcomes contract globally with the World Bank for the *Swachh Bharat Abhiyan* sanitation initiative.

While hopes are expressed that CSR unleashed by the Companies Act is going to deliver solutions to all the country's problems, it's too soon to see how the new money is being used. Significant contributions by several large Indian companies and multinationals in particular sectors are an encouraging sign.

Impact investing is also seen as having significant potential to help develop market solutions that will contribute to achieving SDG goals. However, as impact investing focuses primarily on early stage enterprises, a much larger effort from the government and larger companies will also be needed.

Community philanthropy is seen by some as the most effective route to the development of marginalized communities. But resource mobilization from the community depends on credibility, for which transparency, accountability and leadership are key. Although the aim is local resource mobilization, sensitive outside donors – prominent individual philanthropists, companies and government – could help communities to build assets.

### **The potential of social justice philanthropy**

Given the hiatus left by the withdrawal of foreign funding and the failure of Indian donors to step into the gap so far, the big question is: where are human rights and other complex issues going to find funds in future?

#### *Could funding come from community philanthropy?*

At present mobilization of community resources in India is generally for charitable and religious purposes, and people who give money are often themselves the beneficiaries of an unjust system. However, there is nothing to rule out the emergence of, say, a Dalit community foundation, which mobilizes resources widely.

#### *What about wealthy givers and companies?*

Donors are willing to fund work that doesn't conflict with government, but they mostly don't want to stick their necks out. Donor education could help to sensitize donors to the systemic causes of the problems they are facing.

Nor do companies look like a good prospect as they mostly don't want to risk alienating government, which could have an impact on business. CRY's experience is that they don't like rights-based work and advocacy.

#### *What about the rise of middle-class giving?*

It seems most likely that this is where the money will come from. Small donors are now contributing to NGOs and to activist movements.

But opinions are divided about the prospects of fundraising for rights-based causes. At present giving is still very much heart led, so stories of a girl child or a poor farmer or abandoned pets raise most money. People are mostly not giving in a strategic way to reduce poverty, remove inequalities or promote diversity. The experience of crowdfunding platforms is that donors engage more with education, healthcare and children – though women’s empowerment is also successful.

However, the success of Amnesty India and other international NGOs in raising money in India demonstrates that it is possible. Self-funded activist movements are a longstanding phenomenon in India, with the India Against Corruption movement providing an example of a massively successful crowdfunding campaign, which mobilized at least 50 million citizens on a subject as abstract as governance. This seems to show at least the potential for public funding for more permanent NGOs working for social change. It is perhaps more than anything a matter of time.

### *What about the influence of DaanUtsav?*

In addition to rights-based action, building empathy can be an important way to achieve greater justice. Then people will give because they recognize the equality of the other person as a human being who should have access to the basic things of life. DaanUtsav can help build empathetic connections and a greater understanding of people and their issues.

### **The potential of individual giving**

There is great potential for giving by ordinary people to grow. Online giving is predicted to rise to 20 per cent of all giving in India within two years and 50 per cent within 10 years. A recent GlobalGiving pilot with crowdfunding platform ImpactGuru suggests potential for online giving. While big charities are finding crowdfunding a cost-effective, efficient way of fundraising, small ones are still finding it difficult, but the potential is huge and largely untapped. The notion of giving and hunger for change is growing, especially among young people.

DaanUtsav, above all a vast celebration of giving, is certainly encouraging wider informal giving, but it’s not clear that this will develop into more formal giving. But GuideStar India’s launch of India’s first Giving Tuesday, on 3 October 2017, as part of DaanUtsav, was an undoubted success, with 225 NGOs vetted by GuideStar India and 12 collaborating organizations launching interesting campaigns to promote individual giving in India.

### *Fundraising*

There is a perception that competition from international NGOs is seriously damaging the Indian fundraising marketplace and making it very hard for other Indian charities to follow CRY’s example and come into the field. While international NGOs can invest large sums to develop fundraising and build their brand, Indian NGOs don’t have the resources to do this. In addition, the better terms offered by international NGOs attract staff away from Indian NGOs.

Others take a more optimistic view, hoping that local NGOs will be able to piggyback on the money spent by international NGOs on creating a marketplace and fundraising infrastructure and a new giving mindset. Organizations are needed to help Indian NGOs develop successful fundraising and to promote a culture of giving. But all agree that it's going to take time.

## PEOPLE CONSULTED FOR THIS STUDY

- Alison Bukhari of Educate Girls (formerly with Dasra)
- Amitabh Behar, director of the National Foundation for India (NFI)
- Anantha Padmanabhan, CEO of Azim Premji Philanthropic Initiatives (APPI)
- Aruna Roy, activist and co-founder of the Right to Information movement
- Chandrika Sahai, coordinator of Philanthropy for Social Justice and Peace
- Gayatri Buragohain, formerly with the Foundation for Social Transformation
- Geeta Goel of the Michael and Susan Dell Foundation
- Hari Menon, senior advisor, Philanthropic Partnerships and Government Relations – South and South-east Asia, Gates Foundation India
- Ingrid Srinath, director of the Centre for Social Impact and Philanthropy (CSIP), Ashoka University
- Jenny Hodgson, director of the Global Fund for Community Foundations
- John Hecklinger of GlobalGiving
- Luis Miranda, Indian philanthropist
- Meenakshi Batra, CEO of CAF India
- Nimesh Sumati, founder of Caring Friends
- Nisha Dutt, CEO of Intellectcap Advisory Services Private Limited (Intellectcap)
- Noshir Dadrawala, director of the Centre for the Advancement of Philanthropy (CAP)
- Puja Marwaha, CEO of CRY
- Pushpa Aman Singh, Founder and CEO of Guidestar India
- Pushpa Sundar, Indian philanthropy expert and author of *Giving with a Thousand Hands: The changing face of Indian philanthropy*
- Radhika Ralhan, adviser to CAF India
- Rajesh Tandon, founder and president of the Society for Participatory Research in Asia (PRIA)
- Rohini Nilekani, Indian philanthropist and founder/chairperson of Arghyam
- Santosh Samal, founding executive director of the Dalit Foundation
- Sara Adhikari, founder of Small Change
- Sonvi Khanna of Dasra
- Sumitra Mishra, formerly of iPartner India
- Varun Sheth, founder CEO of Ketto, India's biggest crowdfunding platform
- Venkat Krishnan, DaanUtsav volunteer and founder of GiveIndia

**To read the full report, visit <http://www.psjp.org/wp-content/uploads/2017/10/Philanthropy-in-India-October-2017-1.pdf>**

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