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The Changing Face of Indian Philanthropy

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The Changing Face of Indian Philanthropy

Anne Marie Spevacek, Senior Research Analyst

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ABSTRACT:

Indians have prospered significantly in recent years, led by an entrepreneurial spirit and contributions from professionals in information technology (IT), medicine, finance, retail, and so on. Despite phenomenal economic success that has led the country to new heights of progress and development, domestic charitable contributions have grown marginally and remain below that of developed countries. With its pool of millionaires growing an average 11% a year since 2000, however, India has become the world's leading philanthropic emerging nation. The expectation is that India, over the coming decades, will create an enabling philanthropic environment, based on positive changes in its current philanthropic approach.

Over the last decade, there has been a significant shift from non-secular to secular giving, which includes a number of private individuals and corporations funneling their wealth into foundations that aim for social improvement. Other trends include venture philanthropy and investments in higher education abroad. The literature notes that Indian women continue to play a significant role in the country's philanthropy sector, with the only four Indians named by Forbes in its 2009 '48 Heroes of Philanthropy' list being female. Diaspora giving has grown substantially since 1990, as well, with contributions from Indians abroad being made on an individual basis or through religious groups, student organizations, or other Indian associations.

Three factors that hinder philanthropic giving in India are outlined below. Also included is a list of key organizations and resources.

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"There is one kind of charity common enough among us... It is that patchwork philanthropy which clothes the ragged, feeds the poor, and heals the sick." - Jamsetji Tata, founder of the Tata group¹

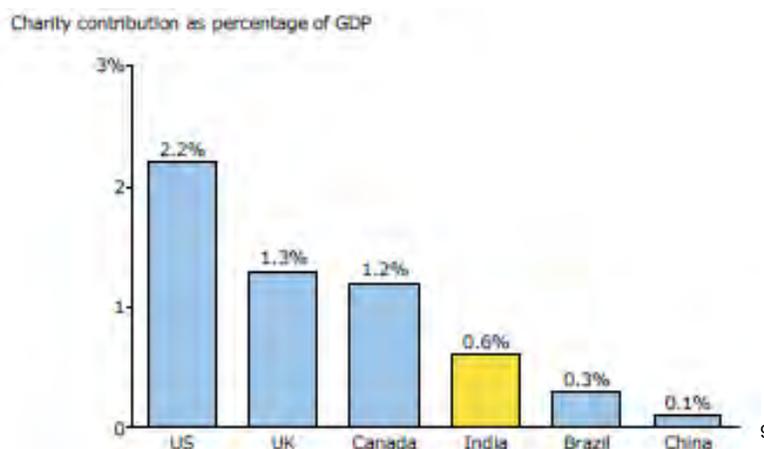
India's roots of charitable giving

The roots of philanthropy in India are founded in the concepts of *daana* (giving) and *dakshina* (giving to a teacher or priest) in Hinduism and *bhiksha* (giving to a monk) in Buddhism.² It has been reported that Mahatma Gandhi helped to redefine the concept of philanthropy in India by working towards social change across community and caste lines. Gandhi motivated others – including established industrialists like Jamshedji Tata – to strengthen secular and progressive philanthropic work, and to go beyond charity and religious giving.³ Tata has been called “the father of modern philanthropy,” given his creation of the JN Tata Endowment in 1892.⁴ This was the first of a multitude of charitable initiatives by the Tata Group,⁵ which remains a beacon in Indian business and philanthropy today.

Wealth rich, charity poor

Indians have prospered significantly in recent years, led by an entrepreneurial spirit and contributions from professionals in information technology (IT), medicine, finance, retail, and so on. Despite phenomenal economic success that has led the country to new heights of progress and development, domestic charitable contributions have grown marginally and are below that of developed countries. With its pool of millionaires⁶ growing an average 11% a year since 2000, however, India has become the world's leading philanthropic emerging-nation. As a result, wealthy individuals and their families are setting up private philanthropic foundations in order to invest their assets in social development.

The expectation is that India, over the coming decades, will create an enabling philanthropic environment that is based on positive changes in its current philanthropic approach. In 2006, the subcontinent's total charitable donations totaled nearly U.S. \$5 billion, or 0.6% of GDP. While this was more than other emerging markets like China (0.1%) and Brazil (0.3%), it lagged behind the United Kingdom and U.S., 1.3% and 2.2%, respectively. If India's rate of giving kept pace with GDP growth, it was estimated to grow to \$7.5 billion in 2009.⁷ Only 10% of charitable giving in India comes from individuals or companies; the primary source of Indian charity is the government, where the focus is mostly on disaster relief.⁸



¹ Tata and Sons. A Tradition of Trust. <http://www.tata.com/ourcommitment/articles/inside.aspx?artid=cZrbJBDWkRQ=>

² Asia Pacific Philanthropy Consortium. India: Overview. <http://www.asiapacificphilanthropy.org/node/19>

³ Ford Foundation. 2002. Philanthropy's Potential: Can We Grasp it? <http://www.fordfoundation.org/newsroom/speeches/118>

⁴ Asia Pacific Philanthropy Consortium (APPC). Overview of India Philanthropy.

<http://www.asiapacificphilanthropy.org/node/19>

⁵ Tata companies web site. Our Heritage. <http://www.tata.com/htm/heritage/HeritageOption1.html>

⁶ Individuals with investable assets over \$1 million. Note: the number of billionaires in India grew from 27 in 2009 to 52 in 2010. Source: <http://www.csmonitor.com/Business/2010/0706/New-donors-emerge-in-developing-countries>

⁷ Arpan Sheth. March 2010. An Overview of Philanthropy in India. http://www.bain.com/bainweb/PDFs/cms/Public/India_Sheth_Speech.pdf (page 2)

⁸ ibid

⁹ Ibid, page 2

Indian philanthropy at-a-glance

According to the Hudson Institute's *The Index of Global Philanthropy and Remittances 2010*, 40% of all households in India give to charity, with 96% of urban upper and middle class households donating money to benevolent causes. Most charitable giving in India is based on faith – money given to churches, temples, mosques, and gurudwaras, or in the form of in-kind donations, such as community food banks for the poor.¹⁰

In relation to making charitable donations to *religious* organizations, individuals responding to a 2004 household survey said they would put 43% towards developing physical infrastructure, 28% for supporting the priests, and nearly 38% to support some social purpose, including health and educational activities.

As for giving to *other*, non-religious organizations, the table below (from the 2004 survey report) highlights that charitable giving leans more towards helping “victims and family members of natural calamities” (21.1%).

table 1.11

Giving to Other Organizations by Field							
Donated for	Per cent donating #	Per cent donating ##	Average amount donated in Rs #	Average amount donated ##	Average amount donated in Rs ###	Total amount donated (in million Rs)	Per cent of donation
Any	47.5	98	225	483	492	2556	100.0
Culture & arts	7.5	16	9	20	124	106	4.2
Sports & recreation	3.5	7	6	14	185	73	2.8
Education & research	7.3	16	35	76	481	402	15.7
Health	5.1	11	12	26	242	139	5.4
Social service*	18.1	39	52	112	287	590	23.1
Environment	1.2	3	6	12	465	65	2.5
Development & Housing	2.2	5	8	17	350	88	3.4
Welfare of victims & family members of war/terrorism	17.9	38	50	107	278	564	22.1
Welfare of victims & family members of natural calamity	21.1	45	39	84	186	445	17.4
Others	1.1	2	1	2	89	11	0.4

Base: all respondents
Base: all those who donated to any other organisation

The changing face of Indian philanthropy

As noted, over the years philanthropy in India has largely been non-secular, with even the very poor donating to religious organizations. A relatively new trend, however, has surfaced that is widening the country's scope of philanthropy. This is a secular model that rests on “corporate involvement and the rise of non-profit organizations working towards the country's development.”¹¹

This expansion is largely a result of India's economic transformation since the 1990s, during which time a new generation of wealthy corporate leaders emerged. More and more businesses developed CSR arms in order to help alleviate diverse social development issues. In support of this, a voluntary code of corporate governance was established in 1998, called the “*Desirable Corporate Governance: A Code.*” The Code is an initiative of the Confederation of Indian Industry (CII), India's largest industry and business association.

¹⁰ Hudson Institute. 2010. *The Index of Global Philanthropy and Remittances 2010*.

http://www.hudson.org/files/pdf_upload/Index_of_Global_Philanthropy_and_Remittances_2010.pdf (page 45)

¹¹ Asia Pacific Philanthropy Consortium (APPC). Overview of India Philanthropy.

<http://www.asiapacificphilanthropy.org/node/19>

Several examples of CSR initiatives include:

- **Azim Premji Foundation** – created by Wipro Technologies. Named after the firm's chairman, Azim Premji, who is referred to as India's Bill Gates. APF's focus is education;
- **Infosys Foundation** – established by Infosys Technologies Ltd., an information technology and consulting firm. Donates millions toward rural development and social rehabilitation in India;
- **Bharti Foundation** – created by Sunil Mittal of Bharti Enterprises in 2000. Developed a framework of quality education for underprivileged children and youth in the country;
- **Satyam Alambana Trust** – the CSR arm of Satyam Computer Services Limited. Formed to support and strengthen the vulnerable and underprivileged sections in urban India; and
- **J.N. Tata Endowment** – set up in 1892 by the founder of the Tata group, Jamsetji Tata, to encourage young people to take up higher studies at some of the best universities in the world. Every year the endowment selects around 120 scholars through a rigorous selection process.

Other trends in Indian philanthropy

Venture philanthropy¹²

Venture philanthropy is a relatively new, but rapidly growing form of charitable giving, which is gaining ground in India. It combines straightforward venture capital and charity with a "social cause" rider. Unlike traditional philanthropy, venture philanthropy focuses on developing a deeper ongoing interaction between donor and recipient, with an emphasis on measurable results. The concept revolves around making social, ethical and other do-good objectives part of investment decision making.

Venture philanthropy firms are developing prototypes for new business models that measure returns in terms of social benefits, not just monetary rewards. Two social venture capital firms are the Acumen Fund,¹³ which invests in emerging businesses that have significant social impact, and Omidyar Network Foundation, which launched Omidyar Network India Advisors in 2009 in order to expand its level of investment in the country's rapidly growing economy.

So far, Omidyar Network has invested almost \$45 million in a number of Indian ventures. This includes D.light Design, an international consumer products company that makes solar-powered lanterns; Quikr, India's version of the Craigslist online classified service; and various microfinance-related firms. In August 2010, Omidyar announced plans to invest as much as \$200 million in Indian social ventures over the next five years.¹⁴ In October, a new \$3 million investment in support of Bangalore-based Janaagraha was announced. Janaagraha is a government transparency organization that models citizen engagement and urban governance to other urban areas.¹⁵

In 2000, the Acumen Fund provided financing to Satyan Mishra, founder of a small IT firm Drishtee Dot Com, to run kiosks in rural villages throughout India. The computerized kiosks provide citizens with access to information about health, pensions, and government resources. By 2006, 1,000 kiosks were operational, but Mishra needed funds to open more kiosks and to expand services (i.e., connecting villagers with lenders for small loans, and linking them with health-care providers). Consequently, Acumen made a \$1 million equity investment, and in 2007 was to have lent an additional \$600,000 for new kiosks.¹⁶

¹² Various called social entrepreneurship, philanthropiccapitalism, high-engagement grantmaking, and strategic philanthropy.

¹³ The Acumen Fund employs a rigorous evaluation process to select its investments. Primarily, it seeks sustainable ideas that address solutions for the Bottom of the Pyramid, the 2 billion people subsisting on \$4 a day or less. Typical investments range from \$50K to \$300K. Working with its portfolio of companies, Acumen helps define social metrics that gauge the community impact of investments. Currently Acumen has over \$30 million invested in 17 companies across 6 countries impacting over 10 million people. Source: http://www.lokvani.com/lokvani/article.php?article_id=5063

¹⁴ Philanthropy News Digest. August 2010. Omidyar Network to Invest Hundreds of Millions of Dollars in India. <http://foundationcenter.org/pnd/news/story.ihtml?id=305600007>

¹⁵ Philanthropy News Digest. October 2010. Omidyar Network Awards Up to \$3 Million to Janaagraha. <http://foundationcenter.org/pnd/news/story.ihtml?id=309400015>

¹⁶ Bloomberg Businessweek. March 2007. Designing Change: How venture philanthropy fund Acumen uses design thinking to help solve real-world problems. http://www.businessweek.com/magazine/content/07_11/b4025405.htm

Education investment abroad

Another recent trend in Indian philanthropy is investment in institutions of higher education abroad. In October 2010, Ratan Tata donated \$50 million to Harvard Business School, several days after Anand Mahindra gave \$10 million to the Humanities Center at Harvard. These donations follow Narayana Murthy's \$5 million gift in May to Harvard for the Clay Sanskrit Library. Other U.S. universities that have benefited from Indian philanthropy are Cornell, Penn, Stanford, and Yale.¹⁷ One can only speculate on the motivation for such investments, although the literature does mention Indian alumni giving back to their alma maters.

Indian women and philanthropy

Women's philanthropy has deep roots in India. Despite their generally low socio-economic status, Indian women have made significant contributions to social progress even while outside the formal power and profit structure. A recent Forbes' list naming the world's top philanthropists includes four Indian women: Kiran Nadar, wife of HCL Technologies co-founder Shiv Nadar; Rohini Nilekani, wife of IT major Infosys' co-founder Nandan Nilekani; Kiran Mazumdar-Shaw, biotech major Biocon's CEO; and Anu Aga, of Thermax.

Rohini Nilekani, for instance, has provided a total of \$37 million to two foundations, Akshara Foundation and Arghyam Trust. The latter, with a focus on water, was set up in 2005 with a personal endowment of approximately \$25 million.

Indian diaspora and charitable giving

Based on the financial achievements of Indians abroad, diaspora philanthropy directed to the sub-continent has grown over the years. Since 1990, remittances to India have grown dramatically, rising from \$2.1 billion in 1990 to \$25.7 billion in 2006, and \$27 billion in 2008.¹⁸ Charitable contributions from Indians abroad often are made on an individual basis or through religious groups, student organizations, or other Indian associations.¹⁹

An example of a low-cost, Internet-based initiative in diaspora philanthropy is Giveindia.org, which promotes charitable giving among India's diaspora population by channeling resources to NGOs within the country. Launched in 1999, Giveindia lists roughly 100 NGOs to which donors can contribute. Through this platform (and other options like payroll giving) Giveindia has helped 30,000 donors support 150 NGOs with over US\$5 million.²⁰

The India Development Foundation (IDF) of Overseas Indians was established in 2008 as a trust (under the aegis of the Ministry of Overseas Indian Affairs)²¹ to serve as a mechanism for members of the country's diaspora community to engage in philanthropic activity in India.

*Constraining factors*²²

Three factors that hinder philanthropic giving in India are outlined in the literature. First, despite rapid accumulation of wealth²³ since economic reforms in the 1990s, many individuals in India remain charity

¹⁷ Pratap Bhanu Mehta. October 19, 2010. Charity at home? India CSR. http://www.indiacsr.in/article.php?article_id=1301

¹⁸ 1) Varma, Subodh. October 21, 2007. NRIs send most money back home. The Sunday Times, New Delhi. And 2) ENS Economic Bureau. March 21, 2008. India tops in migrant remittances. March 21, 2008. The Indian Express. Both sources are cited in Asia Pacific Philanthropy Consortium. No date. Diaspora Giving: An Agent of Change in Asia Pacific Communities? India. http://www.asiapacificphilanthropy.org/files/APPC%20Diaspora%20Giving_India.pdf

¹⁹ Report of the High Level Committee on the Indian Diaspora. Chapter 34 – Philanthropy. <http://www.indiandiaspora.nic.in/diasporapdf/chapter34.pdf>

²⁰ Paula Doherty Johnson, 2007. Diaspora Philanthropy: Influences, Initiatives, and Issues http://www.tpi.org/downloads/pdfs/Diaspora_Philanthropy_Final.pdf (page 36)

²¹ The India Development Foundation of Overseas Indians. <http://moia.gov.in/pdf/IDF.pdf>

²² Arpan Sheth. March 2010. An Overview of Philanthropy in India. http://www.bain.com/bainweb/PDFs/cms/Public/India_Sheth_Speech.pdf

poor. A study of wealthy Indians reveals that donations to social and charitable causes equal only 0.25% of their net worth. Arpan Sheth theorizes that the newly rich in India may consider affluence as key to improved social standing, but that they view the act of making charitable contributions as not necessarily leading to the levels of recognition sought.

Next, a number of potential donors reportedly believe that philanthropic support networks in-country are not ably managed and, consequently, their contributions would not be executed sufficiently, or could be misappropriated. The Asia Pacific Philanthropy Consortium (APPC) reports that charitable giving in India is governed by individual states; thus, "different states ... have different legislations (i.e., trusts or endowment Acts) to govern and regulate public charitable voluntary organizations."²⁴ Further, in terms of diaspora giving, the Foreign Contribution (Regulation) Act of 1976 requires that recipient NGOs (and others) seek permission before they may receive donations; however, the clearance process is time consuming and cumbersome.²⁵

Lastly, Sheth reports that "the lines may be blurred between personal giving and corporate social responsibility initiatives," which stems from a large portion of corporate India being family-owned. The suggestion is that some family groups view corporate social responsibility as an extension of their own individual charitable giving, which ultimately curtails their desire to make personal donations.

Key organizations

Asia Pacific Philanthropy Consortium (APPC)

<http://www.asianphilanthropy.org/>

Asian Philanthropy Forum

<http://www.asianphilanthropyforum.org>

Centre for Advancement of Philanthropy (CAP)

<http://www.cozucare.org/cap>

Charities Aid Foundation (CAF) India

<http://www.cafindia.org/>

Giveindia.org

<http://www.giveindia.org/>

India Development Foundation (IDF) of Overseas Indians

<http://moia.gov.in/pdf/IDF.pdf> and <http://moia.gov.in/services.aspx?id1=206&idp=206&mainid=196>

Sampradaan – India Centre for Philanthropy

<http://www.sampradaan.org/reports.htm>

Resources

Indian Biz Leaders Advocates Inclusive Growth

SiliconIndia, Binu Paul, October 2010

http://www.siliconindia.com/shownews/The_prejudice_facts_and_future_of_Indian_philanthropy-nid-72579-cid-1.html

Omidyar Network Awards Up to \$3 Million to Janaagraha

Philanthropy News Digest, October 2010

<http://foundationcenter.org/pnd/news/story.jhtml?id=309400015>

²³ India's high net-worth individuals rose by 51 percent in 2009. Source: Binu Paul, October 2010. *Indian biz leaders advocates inclusive growth*. SiliconIndia. http://www.siliconindia.com/shownews/The_prejudice_facts_and_future_of_Indian_philanthropy-nid-72579-cid-1.html

²⁴ Asia Pacific Philanthropy Consortium (APPC). Overview of India Philanthropy. <http://www.asiapacificphilanthropy.org/node/19>

²⁵ Report of the High Level Committee on the Indian Diaspora. Chapter 34 – Philanthropy. <http://www.indiandiaspora.nic.in/diasporapdf/chapter34.pdf> (page 494)

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<http://www.csmonitor.com/Business/2010/0706/New-donors-emerge-in-developing-countries>

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Forbes, May 2010

<http://business.in.com/article/isb/family-and-corporate-philanthropy-emerging-trends-in-india/12682/1>

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Sandeep Singh

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<http://www.hindustantimes.com/Charity-a-rarity-in-India-Inc/Article1-549931.aspx>

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<http://www.forbes.com/global/2010/0315/philanthropy-technology-infosys-rohini-nilekani-india.html>

Forbes' Top Philanthropists from India are all Women

March 2010

<http://beta.thehindu.com/news/national/article183088.ece>

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Hudson Institute, 2010

http://www.hudson.org/files/pdf_upload/Index_of_Global_Philanthropy_and_Remittances_2010.pdf

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Dr. Ajailiu Niumai, Hyderabad Central University, 2009

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**U.S. Agency for
International Development**
1300 Pennsylvania Avenue NW
Washington, DC 20523
Tel: 202-712-0000
Fax: 202-216-3524
www.usaid.gov