



Philanthropy and CSR in India-An Analysis on the trends and future growth.

Management

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ABSTRACT

Philanthropy etymologically means 'to love humanity.' The most modern definition is, 'private initiatives, used for public good, focusing on quality of life.' Philanthropy broadly encompasses any altruistic activity intended to serve others, or the act of donating money, goods, and services to support a socially beneficial or humanitarian cause, with no financial or material reward to the donor.

Despite the quickened pace of development over the past thirty years or so, it is found that growth has indeed been asymmetrical to a large extent because those who are poor or marginalized are getting poorer while those in the upper strata are found to be multiplying their wealth. An important consequence manifests itself through the increasing amount of crimes. Philanthropy in India has a colossal role to play especially in overcoming poverty, which is still a huge struggle. Thus we find that it is the need of the hour to promote collective social responsibility through consequential philanthropy.

KEYWORDS:

Philanthropy, CSR, CSR trends and Companies Act etc.

1. Introduction

1.1 Philanthropy in India

As we are entering a new age and we predict that in the next five to ten years we will see tremendous growth. We are just at the initial part of the wave. Indeed, in spite of the financial crisis because of which the world trembled, philanthropy in India has still managed to grow by leaps and bounds, as well as have the quality improved significantly since 2008. (Alison Bukhari) [1]

Over the past few years, it has been seen that the media coverage pertaining to philanthropic gifts has increased awareness and individuals all over are starting to see how philanthropy has evolved in India. 'Beyond Philanthropy-towards a collaborative approach in India,' family, philanthropy, and business are symbiotic in India; family philanthropy is synonymous to corporate philanthropy as the majority of the businesses in India are family-owned. Marc Epstein, Kristi Yuthas and Deval Sanghvi. [2].

The landscape of philanthropy is classified into four phases within the period of 1850 to till date. During 1850-1914 (1st phase) the focus was more on donations made for social welfare such as schools and hospitals, carrying the family names which eventually changed by the end of 1960, known as the second phase. The change was mostly in the investment of wealth by the citizen. Over the next twenty years when India decided to opt for neither communism nor capitalism; resulting in a power struggle between the private sector and the public sector. The Public Sector came out as the winner, and therefore private companies suffered. It was then mandated for profit-making PSUs to allocate between 0.5-5 percent of their profits for CSR activity. In the present scenario, we find that philanthropy is a combination of family-owned foundations (traditional philanthropy), CSR and corporate philanthropy. Professor K Ramachandran and Rachna Jha [3]. There are a number of activities which qualifies as corporate social responsibilities (CSR) as per Schedule VII of the Companies Act. To name a few, that are hunger, poverty, malnutrition, safe drinking water, education, gender equality, women's empowerment, Environmental sustainability, art, culture, Benefits for the armed forces, sports, rural development Dr.Priyanka Verma and Anupam Singh [4]

It must be noted that companies are allowed to contribute to the Central or State Government's socio-economic development and welfare funds or even to the Prime Minister's National Relief Fund. Marc Epstein, Kristi Yuthas and Deval Sanghvi [5]

2. Objectives

The following objectives are taken into consideration:

- i) Identifying where the Environmental sector stands when it comes to philanthropic giving
- ii) To understand what is required to get donors to invest in Environmental causes
- iii) To find out how CSR can be structured to make it easier for corporates to identify and invest in causes that would have a long-lasting impact.

3. Analysis and Interpretation

The analysis of trends in philanthropy in India is carried out by scrutinizing the year-by-year comprehensive study on the current scenario of philanthropy. Bain & Company [6]

Trends 2012:

A significant rise in private donations to philanthropic causes (50% from 2006-2011) although it is not very high compared to the US counterparts. This is partly because the Giving Pledge, brought about by Bill Gates and Warren Buffet came about in 2006, wherein Azim Premji was the first Indian to sign it. This encouraged other donors to invest more money in philanthropic endeavors. S. S. Srivastava and Rajesh Tandon [7]

- Education is the most popular cause, followed by food and clothing, housing/shelter, healthcare, sports, and others.
- Private foundations will play a growing role in giving. That is to say, the preferred mode of philanthropy will be via private foundations (either family foundations or company foundations).
- Young philanthropists currently donate a smaller portion of their income, although it is seen that they will donate for a longer period of time, with increasing amounts. Oliver Zunz [8]

Trends 2013:

In the year 2013 there was more focus on the complexities of philanthropic impact in India and how they differ by sector.

- Due to the buoyant economic growth in the country in the recent past, government spending on the population had

increased, as had private contributions. Given the recent economic decline, donors now want a better understanding of the impact of their donation before committing to any cause.

Donors and NGOs differ in opinion when it comes to definitions of successful outcomes.

- Donors seem to measure the impact of their giving by quantitative metrics (e.g. how many children have enrolled in an education program, etc.), whereas NGOs measure impact regarding qualitative metrics (e.g. has there been a general increase in interest in education?). Thus to address this, a shared vocabulary about impact needs to percolate amongst the stakeholders.
- If impact creation and communication increase, donors will give more. It will be a threefold increase if institutions and foreign donors exhibit similar increases in donations for the same reasons. Dr. Deepak Pawar [9]

Trends 2014:

In the year 2014 it was found that stresses were given to build an RMNCH+A sector. It reiterates the importance of this sector by mentioning how the Indian government has made strategic investments in the reproductive, maternal, newborn, child, and adolescent health (RMNCH+A) areas.

- An ecosystem of stakeholders is addressing maternal and child healthcare is the need of the hour because achieving such broad goals without a setup would be suboptimal.
- Six critical actors in this ecosystem play a crucial part, namely:
 - a. Beneficiaries
 - b. Interventionists
 - c. Coordination bodies
 - d. Infrastructure providers
 - e. Funders
 - f. Organizations that promote awareness

4. Summary of Findings

Broadly, we find that there is an emergence of three models of philanthropy: CSR, individual giving, and foundations. CSR is the most prevalent form of philanthropy in the world today. Philanthropy is no longer understood as simply charity, as we find that the philanthropic activities currently used are aligned with social realities, and aim to attack social problems at their roots. It is also seen that contemporary philanthropy, primarily in businesses, strives to even create awareness about environmental (afforestation, water harvesting, global warming) and other issues (feticide, girl child discrimination, against the spread of diseases like AIDs/HIV).

Indian philanthropy has developed in recent years as a conventional professional activity, thanks to rapid economic growth, and the globalization of knowledge and financial resources. As the extent of activities of contributing to any particular cause has extended, enormous possibilities have opened up for volunteers and donors. Though philanthropy is still at a nascent stage in India, there are clear signals of the potential contribution it can make to build a better planet for this generation and beyond.

India has a long tradition of giving and a longstanding and active third sector. Unlike Russia and China, where the industry has grown primarily in the last two decades, most civil society organizations in India have long been established. Priya Viswanath and Noshir Dadrawala [10] As the vast majority of non-profit organizations are small and unregistered; it's hard to determine the size of the third sector. The best study, dating from 2003, puts the number of registered and unregistered civil society organizations at 1.2 million. Their activities range from advocacy and government oversight to providing services to the poor. The largest number of organizations, 26.5 percent, was estimated to be religious institutions; nonreligious

organizations that address community and social issues were estimated at 21.5 percent of the sector; and the rest, in diminishing percentages, were engaged in education, sports, culture, and health. Financial support for civil society organization was estimated to come from official grants (30 percent), fundraising by the organizations themselves (51 percent), and foreign sources (7.4 percent) While the Indian non-profit sector is vast and lively, India's legal tax and regulatory systems do not encourage the creation of foundations. Laws governing the sector are complex and archaic, and their implementation is cumbersome and bureaucratic. As charity is subject to individual state and not national control, legal regimes governing private charitable organizations vary from state to state. Tax laws and regulations are another issues for donors. [11]

It was found out by an analysis that there are critical gaps across sectors because the donor focus is only limited to a few. On carrying out an analysis of 12 sectors (and roughly 50 sub-sectors), the findings shows that, by using a demand-supply philanthropy rating framework, opportunities across the board are revealed along with 3 main gaps that emerge: quality gaps, rich gaps, and quantity gaps. McKinsey and Company [12]

The reasons given for a disconnect from the donor's end is that donors tend to focus on areas that they can easily relate to; on the most critical areas there seems to be a lack of information as well as an insufficient perspective on how to drive change there. The other reason is that donors are also influenced by the focus of organizations working on the ground and not the areas that really require the help of donors.

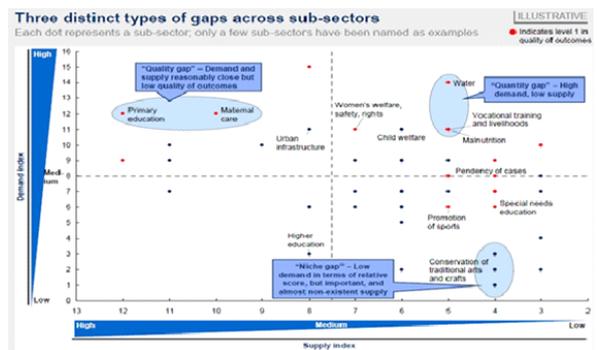


Fig1. Three distinct types of gaps across subsectors

5. Scope for Further Research

There are a number of areas for potential interventions and research in order to improve the emerging philanthropic landscape in India. Given below are some possible areas of research and targeted interventions that can be undertaken. Adarsh Kumar [13]

The overall objective of interventions in the Indian philanthropic sector should be to increase the amount of philanthropic giving and to maximize its impact. Thus the following areas below can be areas of further research. Interventions need to focus on the following objectives:

- Developing broadly accepted standards on philanthropic giving, benchmarked against best practices internationally, including instituting component processes such as transparency norms and tracking and reporting impact.
- Assisting donors and potential donors in meeting these standards.
- Deepening the pool of development gaps which emerging philanthropic funding supports to better reflect the range of development problems affecting disadvantaged and marginalized communities.

- Developing platforms for coordination and information sharing both for philanthropic giving as a whole and for specific subsectors. [14]

6. Conclusion

All philanthropists are aware of the magnitude of the issues they tackle and realize that it is of utmost importance to scale up their programs if they are to solve systemic problems. It is evident, too, that there is an emphasis on having a nationwide impact and extending the reach of programs from one state to another and from one region to another.

Today's philanthropists are thinking big and attempting to etch their legacy on the future of the country. It is also interesting to note that very few philanthropists find their inspiration through personal experience or the example of the past. For some, ideas are sparked by their passion or profession, while for others it is nothing short of an epiphany. Whatever the origin of their inspiration, most philanthropists actively participate in the decision-making and operation of their foundations, in spite of the fact that they have multi-billion-dollar businesses to run.

Finally, as these business leaders engage in more and more giving, directly or through their businesses, they will bring with them new ways of thinking and a greater emphasis on measurement and impact. This could allow the right approaches and mechanisms for enhancing rural development, education, health and sanitation to be set up. It remains true – as some observers have pointed out – that Indian philanthropists have been wary of addressing some tricky but important issues that overlap with the interests of business or government. They have avoided any political advocacy, for instance for better or more transparent government, and steered clear of issues, such as land rights reform, that collide with the interests of business. Yet these are important issues that a healthy democracy must address.

As the sector grows, it will become increasingly important to quantify, document and map all stakeholders and their activities. Such insight makes it possible for stakeholders to understand each other better, to make the most of synergies and others experiences, and to work together on solutions for everyday needs. For government, meanwhile, it not only makes it easier to take the sector into account when developing social and development policies but helps officials legislate better to support

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