

## MANAGEMENT

# Philanthropy in India Is Taking Its Own Route

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📍 Asia-Pacific, India 📌 Business Ethics



Philanthropy is the flavor of the month in India: Wipro chairman Azim Premji recently became the first person in the country to sign up for the Giving Pledge, a commitment by the world's richest people to dedicate the majority of their wealth to charity. P.N.C. Menon, founder of the Sobha group, has promised to devote half of his fortune to philanthropic efforts. In Mumbai, the Philanthropic Week organized by Indian foundation Dasra brought together some key players to discuss the roadmap ahead for charitable giving in the nation. Among the key themes that emerged was the dawning realization that India must find its own path to encourage citizens and companies to donate their time and money toward social good.

Premji recently transferred 12.5% of his holding in Wipro — worth US\$2.2 billion — to the Azim Premji Trust. He also joined the Giving Pledge campaign, which was started by Bill Gates and Warren Buffett in 2010 and now includes more than 100 individuals and families from all over the world.

Following Premji was Dubai-based Menon, who founded his company as an interior decoration firm in 1976 and grew it to a conglomerate that includes construction, engineering and information technology businesses. “I don’t think you should keep all of

[the wealth you have created] for your family,” he said after making the pledge, according to *Arabian Business*. “A large portion of it should go to society. I have decided that 50% of my wealth should go to society.”

In Menon’s statement lies one reason for the different trends in philanthropy among different societies and nations. Some would say that though his wealth amounts to a comparatively smaller US\$600 million, Menon’s gesture means more than Buffett’s because Menon could leave the entire amount to his family. Buffett can’t: The estate tax in the U.S. has a top rate of 40%, while countries like India and China have no such provisions. (Estate duty was abolished in India in 1985, but current finance minister P. Chidambaram has been making noises about reintroducing it.)

Nearly sandwiched between the announcements by Premji and Menon was the Dasra Philanthropic Weekend (DPW). There were no big-ticket announcements at the DPW, but none was expected. “Through DPW, Dasra is building a [platform] for different stakeholders to come together and work on the most scalable and sustainable ways to improve the lives of people in India,” says Radhika Nayar, head of the Indian Philanthropy Forum at Dasra. “The week brought together a broad range of stakeholders — social entrepreneurs, family and corporate foundations, corporations, impact investors, government leaders and philanthropists — to learn about the most effective ways to solve India’s social challenges and begin the essential work of collaborating with each other.”

### **Is Compulsory CSR the Way Forward?**

Amid all this, a debate was going on about a government proposal to make it compulsory for companies to spend 2% of their net profits on corporate social responsibility (CSR). The proposal — part of the Companies Bill that has cleared the lower house of Parliament and is awaiting the assent of the elders — has been diluted somewhat to make it more acceptable to businesses.

The different views were aired in January at a seminar in Mumbai a month before the DPW. Leading NGO (non-governmental organization) Child Rights and You [CRY] held a summit on corporate responsibility “to bring together key voices on the corporate responsibility debate in order to build greater convergence between stakeholders”. CRY has only a peripheral role in the debate, which has recently acquired new dimensions.

But the debate on CSR has no easy solution. To start with is the question: What is CSR? “Various definitions of CSR have been making the rounds for much too long,” notes Bhaskar Chatterjee, director general & CEO of the Indian Institute of Corporate Affairs, which has been mandated by the Ministry of Corporate Affairs to develop a clear definition. “The CSR

provisions of the Companies Bill seek to create an enabling, catalytic environment wherein corporates can harness their core competencies and business acumen with the freedom to think through and decide their own CSR initiatives.”

Chatterjee adds that the new policy “is likely to create a telling positive impact on the development sector landscape in the country in the years to come. [The Bill] will allow the CSR juggernaut that is imminent to acquire a decisive objective and purpose.”

But so far, the government’s initiative has left many unanswered questions. For example, the Tatas run Jamshedpur, which started as a corporate township 100 years ago and now has a population in excess of one million. It wasn’t initially conceived as CSR, but it could be argued that running what is now the most populous city in the state of Jharkhand should qualify under a modern definition of the term.

Dileep Rangeekar, co-CEO of the Azim Premji Foundation, supports the CSR provision with the proviso that “When organizations and individuals don’t do something willingly, the State steps in. In the long run, a practice of setting aside a percentage of your profits to societal good would be useful as long as it does not come across as coercion.”

But Rohini Nilekani, philanthropist and chairperson of Arghyam, a foundation she set up with a private endowment to work on water and sanitation issues in India, says she has been “against the 2% rule from the beginning” because “I don’t think government should outsource its governance. And, secondly, making it mandatory is going to straightjacket [CSR] in a way that may not necessarily yield the best results. But now that it’s been done, we just have to make the best of it.”

“Philanthropy comes from the heart with its associated passion,” adds Ajay Kela, president and CEO of Wadhvani Foundation. “I am skeptical that forced philanthropy will work. This forced CSR has the other downside of spending valuable corporate resources to document or game the CSR rule.”

According to Nilekani, provisions should also be put in place to “ensure that the focus remains on the company’s overall real responsibilities inside its fence. Companies get away with a lot of things, like pollution of water sources. There is no use doing charity outside if you cause some of the problems yourself. I would say that the media and public pressure has to remain on inside-the-fence corporate practice.”

The CRY summit discussed the 2% solution and also featured a talk by John Elkington, an author, thinker and creator of the term “triple bottom line,” or combining the three goals of a socially responsible organization — financial, social and environmental. Elkington told India Knowledge@Wharton that the India picture is mixed “with some very sparkling companies doing great things.” He emphasized the importance of environmental

sustainability as part of CSR effortseakes a couple of points. First, most people tend to ignore family businesses. . “It’s not just the financial, social and ethical aspects,” he said. “CSR has also got a very strong environmental aspect. I think even the Tatas have tended to downplay the environmental aspect.”

Corporate India had been waking up to environmental issues, but the growing number of protest groups, which had become more pronounced over the past few years thanks to crusading federal environment ministers, have been a rude awakening. Environmental concerns have throttled several major projects in the nation recently. *The Times of India* reports that Prime Minister Manmohan Singh has called environmental clearances the new “license-permit-quota raj.” Meanwhile, the Supreme Court has banned mining in several parts o the country, including the entire state of Goa.

Lavasa, a huge township project being developed by the Hindustan Construction Company (HCC), is in trouble because of environmental concerns. Environmental activists have blocked South Korean firm Posco’s US\$12 billion steel project in Orissa. In the same state, U.K.-listed Vedanta Aluminum is in limbo because its allotted mines are said to be located on a tribal religious shrine. The government has offered a different source of aluminum but that has not stopped activists from protesting. In Mumbai, plans for a second airport have been ruled unlikely to disrupt the natural habitats of flamingos and other wildlife but the project is now being held up because of a few mangroves. The project was first proposed at least two decades ago.

### **A Closer Look at Giving**

All of these developments are philanthropy related, but in many ways, they have very little in common, providing an example of how the issue is coming to a head on several fronts.

From a Western point of view, India is a parsimonious country. It has a World Giving Index rank of 133, the worst in the region and even below that of Bangladesh (109) and Nepal (115). Gates and Buffett recently visited India to promote the Giving Pledge and encourage wealthy Indians to give more. They were met with smiles, but little support. According to a Bain report on Indian philanthropy, private charity contributions as a percentage of GDP are only 0.4% in India, compared with 1.3% in the U.K. and 2.2% in the U.S. The report noted, however, that “India is recognized as a nation of givers. But we have a tradition of being quiet givers.” A more recent Bain report, which was unveiled at the DPW, said that “achieving congruence on results-related issues can help increase the impact of philanthropy in India”.

From an Indian point of view, giving is something that everyone does. Ashok Advani, publisher of *Business India* and a participant at the Dasra seminar, wrote in a signed editorial that “For centuries, the richest people in the country have given money to causes...

Giving has been a way of life — *seva, daan, zakat*, charity or philanthropy — by whatever name in vogue.”

Indians also give to religion. The richest temple in the world is the Tirupati temple in Andhra Pradesh, today run by the Tirumala Tirupati Devasthanams (TTD), a trust whose members are appointed by the government. Only the Vatican is ahead of it in wealth. Tirupati is the most visited religious site in the world; the number of pilgrims can reach 500,000 on special days. Many make donations of small gold items. In February 2011, the TTD deposited 1,175 kilograms of gold (worth US\$64 million at current prices). This type of deposit is derived from the temple’s collections of small donations by devotees. The bigger items — such as the 3 kilograms of gold donated by liquor baron Vijay Mallya on his 57<sup>th</sup> birthday recently — are not included in this.

“Religion has been a big driver for philanthropy throughout history and across the planet,” says Lynne Smitham of the U.K.-based Kiawah Trust, which partners with Dasra in its philanthropic endeavors. “Temples and churches have been thought of as trustworthy and benevolent.” According to Nayar of Dasra: “Indians give significantly to temples, but this giving is ad-hoc, short-term and most significantly, does not prioritize impact.”

“I do not agree with the premise that India does not have a strong culture of philanthropy,” adds Poornima Dore, program officer at the Sir Dorabji Tata Trust. “Religious giving is probably the largest component, but there is a lot [taking place outside of that] as well. There are foundations such as ours that have been in this domain for over 75 years across the country and that is clear evidence of a strong culture that has been institutionalized.” The Tatas have been deeply involved in philanthropy — from hospitals to institutes of higher learning and sports to culture. The Tata philanthropic trusts control 66% of the shares of *Tata Sons*, the holding company of the US\$100 billion Tata group.

While the main debate centers on finding the right philanthropy model for India, other issues are also clamoring for face time. The net result is a certain amount of confusion as talk about CSR steps on the toes of impact giving or charity grapples with for-profit philanthropy. So what did the DPW, which is considered the most high-profile of the meetings on the topic, achieve? “DPW brought together over 500 stakeholders,” notes Nayar. “Dasra disseminated knowledge, facilitated discussions and announced key partnerships with the aim of inspiring collaboration among participants.”

“It is difficult to measure the success of an event and I am not going to try to do it since we could not be there for all of the days,” adds Dore. “Dasra has definitely grown over the years as an organization. I think the turnout was good.” Smitham says that “for me it was immensely successful. It was a week of extremely important, relevant and urgent meetings on Indian social issues and a chance to listen, learn and exchange ideas on effective solutions.”

“Events like DPW are great platforms to raise awareness around philanthropy in India,” notes Kela of the Wadhvani Foundation. “As we know, India does not have a strong culture of philanthropy outside of giving to the temples. So advocacy and raising awareness is a good thing. Also, India has thousands of non-performing and low-impact NGOs. A systemic approach to address the issue of impact is also very welcome.”

Some believe that events like Dasra and CRY can lead to the development of a successful model of philanthropy. “India does not seem to have a culture or a model for philanthropy at a national level,” says Kela. “I do believe that we should look at successful global models and adapt them to our needs and tax structures rather than reinvent the wheel. We should also learn from the mistakes of the others rather than repeat the same mistakes.”

“All over the world, people will always keep doing charity,” adds Nilekani. “That is based on empathy. You see someone in need and you reach out. And that is something to celebrate. But I think as societies become more globalized and modern, a new kind of wealth creation will evoke a new response, partly inspired by Western models. The newly wealthy are going to engage with new social issues and they are going to look more systematically at their resolution. So I am not at all surprised that we are following a new model now.”

According to Dore, “Western models have their value and so do Indian ones. Rather than debating models, we should focus on how philanthropy can actually reach out to the most marginalized, or address the most pressing issues.”

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