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## India Philanthropy Report 2022

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With state finance dwindling because of the pandemic, the role of private philanthropy gains importance. The overall private sector funding has stayed relatively flat and that makes corporate and retail donations pertinent. 90% of total social sector funding comes from the public sector which needs to change, involvement of retail donations through crowdfunding and increasing private-sector donations through a progressive tax slab in CSR and a systematic working of NGOs is the need of the hour.

### Key highlights :

- India is now ranked as the fifth-largest economy in the world in absolute GDP and the third-largest economy in terms of purchasing power. However, in terms of per capita GDP, it is ranked 153rd in 2010 and increased only marginally to 144th in 2021. The trend has been further accentuated by the pandemic, which pushed more than 200 million Indians into poverty.
- According to the report, there has been an increase in the total social sector expenditure from 10 lakh Cr. to 17.5 lakh Cr., which is 7% of total GDP yet it still lags behind the NITI Aayog's estimated 13% of GDP required to meet India's UN SDG commitments.
- Like all developing nations, the social sector funding comes from state rather than private companies or individuals but with increasing fiscal deficit and higher debt burden following the pandemic, government finances will be limited.
- **Private-sector funding**
  - It stems from two major sources: foreign and domestic philanthropists.
  - Domestic philanthropists include corporations (CSR and corporate trusts) and individuals. Domestic individuals can be further categorised into family philanthropy (UHNIs and HNIs) and retail depending on their net wealth or income and donation amount.
  - The overall private giving has stayed relatively flat over the past five to six years even before Covid-19 struck. There has been a contraction in private foreign giving and a moderate growth in domestic giving.
  - **CSR** has seen a steady growth both in absolute terms and in its contribution to overall private giving, which increased from 12% in FY 2015 to 23% in FY 2021
  - **Family philanthropy** has contracted overall and UHNI (Ultra-high net-worth individuals) giving has contracted.
  - **Retail giving** has grown marginally. It is largely unorganized but has the potential to become organized.
- **Total private philanthropic funding in India is estimated to grow at approximately 12% annually in the next five years.** This will happen due to the shift of companies from informal to a formal economy, and an increase in the number of companies falling in the CSR orbit, and an increase in the number of companies spending more than the 2% mandate.
- **CSR**
  - 70% of the total CSR spending over FY 2018 through 2021 went to education, healthcare, rural development, environmental sustainability, and poverty, as against family philanthropy and retail giving where 60% of the funds go to education and healthcare.
  - It also affects smaller sectors, such as sports, art and culture, animal welfare, and women empowerment, which struggle to attract funding from other sources

- With respect to geographical allocation, approximately 50% of CSR funds are distributed to 10 states, led by Maharashtra, Karnataka, and Gujarat. As companies tend to contribute funds in the vicinity of their company location, geographical bias creeps in. Now CSR needs to move beyond cities.
- **Retail donations**
  - They are unorganised and non-systemic in nature; they are often a result of emotional decisions and impulse action.
  - Total retail donations have grown at a CAGR of 5%, from INR 21,000 Cr. in FY 2015 to INR 28,000 Cr. in FY 2021.
  - Total retail donations are expected to reach approximately INR 45,000 Cr. in FY 2026 this will be primarily driven by strong GDP growth and robust growth in the Indian middle class, increasing adoption of technology and the evolution of new platforms, such as crowd funding, can accelerate the transition from traditionally informal giving.
  - Retail donations take place through two major channels: formal and informal. Formal channels consist of retail donations to Non Governmental Organisations (NGOs) and disaster relief funds The informal segment covers everyday community giving to people in need. It is a direct form of help and proximate to the point of impact.
- **Family Philanthropy**
  - It is expected to grow at a robust 12% to 14%, with both UHNI and HNI contributions blossoming.
  - UHNIs from the technology sector have donated more generously than other sectors, constituting about 8% of the total UHNI wealth in 2021 but contributing to approximately 35% of total donations.
  - According to the report, even though absolute UHNI giving has increased over the past two years, giving as a percentage of net wealth has declined.
  - Compared with China, the UK, and the US, Indian HNIs donate substantially less across all wealth brackets.
  - With a disproportionate increase in wealth during the pandemic and a possible increase in relative giving (giving as a percentage of net wealth) as more tech entrepreneurs and NowGen philanthropists enter the fray, this cohort holds the potential to play a crucial role in meeting the country's social sector fund requirement.
- **Crowdfunding Market**
  - It is still in its nascent stages in India and is minuscule in size.
  - Crowdfunding shows immense potential as a key vehicle for channelising retail donations in the future. The power of crowdfunding can be seen by the volume of resources these platforms mobilised during the two deadly waves of the pandemic.
- **Need for a shift**
  - Corporations should pass on the flexibility they enjoy under the CSR. There is room to have progressive tax slabs in CSR, just like our income tax structure. A company making INR 10,000 Cr. in profit can certainly give more than 2%.
  - Donors should consider longer-term commitments of three to five years
  - Business leaders should exercise their influence to promote corporate giving best practices.
  - Indian NGOs need to invest in institutional capabilities for more effective funder engagement and to create stronger feedback loops with funders.

Read more: [India Philanthropy Report 2022](#)

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