Global Philanthropy Tracker: India

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Definitions

PHILANTHROPIC ORGANIZATIONS (POS): A form of non-market, non-state organizations outside of the family that provide services for the public good. It includes, but is not limited to, the following: foundations (grant-making, operating, corporate, community, or government sponsored/created), community-based organizations and village associations, professional associations, environmental groups, advocacy groups, co-operatives, charitable organizations, faith-based organizations, mutual entities, labor unions, societies, research institutes, diasporic organizations, online social-purpose portals, and transnational and cross-sectoral coalitions.

PHILANTHROPIC ACTIVITIES: Philanthropic activities are extremely diverse when considered at the global level. They include, but are not limited to, financial contributions, volunteering, collective action, advocacy, grassroots and direct giving and helping, and new methods such as crowdfunding and hybrid philanthropic activities (i.e., social impact bonds and social enterprises).

CROSS-BORDER PHILANTHROPY: Philanthropic activities in which the donor (individuals, foundations, corporations, or religious organizations) and the beneficiary (individuals, foreign POs, foreign intermediary organizations) are located in different countries. The term includes donations to domestic POs in a given country that focus on broad categories of international causes, such as foreign affairs, humanitarian assistance, international relations, promotion of international understanding, and international solidarity.

Overview of Cross-Border Philanthropy in India

CROSS-BORDER GIVING ENVIRONMENT

The Indian social sector receives funding from both public and private sources. Public funding is mostly grants-in-aid by the government for social sector projects. Private funding comprises of corporate funding of social sector projects, and individuals and corporations donating toward social and charitable purposes.

Philanthropy from overseas has plateaued in recent years as regulations on who can receive foreign philanthropic capital have become more stringent—and such nonprofits now need to periodically renew their license to do so under the Foreign Contribution (Regulation) Act (2010). Foreign contributions are regulated by the Ministry of Home Affairs (MHA), Government of India, and data on these are publicly available. In 2017–2018, a total of 23,592 NGOs received foreign donations totaling INR 168,210 million. Additionally, based on data from OECD, India received official development assistance in 2017–2018 of INR 161.9 billion (USD 2.2 billion). See Table 1.

TABLE 1: CROSS-BORDER PHILANTHROPIC RESOURCE FLOWS, 2017–2018

Head		Source/ Database	Estimate (INR)
A. Inflow of Philanthropic Resources			
1.	Official Development Assistance (ODA) to India from Development Assistance Committee (DAC)	https://stats.oecd.org/Index.aspx?datasetcode=TABLE2A	**INR 161.9 billion** (USD 2.2 billion)
2.	Foreign Contribution by Individuals & Organisations	www.fcraonline.nic.in	**INR 168.2 billion**
B. Outflow of Philanthropic Resources			
1.	Grants & Loans to Foreign Governments as per Expenditure Profile of Indian Union Budget 2017–2018	https://www.indiabudget.gov.in/budget2017-2018/ub2017-18/eb/stat20.pdf	**INR 76.596 billion**
2.	Foreign 'Donations' by Indians under Liberalised Remittance Scheme (LRS)	https://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=17575	**INR 610 million** (USD 8.5 million)

The Philanthropic Giving Environment in India

India has a rich history and culture of giving, both at the individual as well as the institutional levels, and philanthropy by family and corporate foundations has existed in India for decades. A notable example is the Tata family's philanthropy, which donated through various non-profit trusts set up starting in the early twentieth century. Today this history is evident in the many varied ways in which giving takes place in India, beyond modern Western notions of philanthropy. More of India's corporations are setting up foundations and engaging actively with philanthropy.

In the last two decades, the philanthropy sector has evolved significantly in India, with an increased number of corporate and private foundations, new forms of giving, and more strategically managed and professionally run funding organizations.

REGULATORY ENVIRONMENT

India is the first country in the world to make Corporate Social Responsibility (CSR) mandatory for companies over a certain threshold, since 2014.[1] This has resulted in a rapid increase in CSR funding made available to nonprofit organizations at a time when international funding flows have not been growing.

In 2017–2018, a total of 21,397 corporations reported spending INR 136.24 billion (USD 1.89 billion) on CSR. However, CSR funding has also impacted the way nonprofits operate in India with a shift away from longer-term programmatic funding, to shorter-term project-based interventions that fit with the corporate reporting cycle.

There has been an increase in domestic formal philanthropy in India in recent years, with existing as well as new millionaires and billionaires setting up foundations and supporting different causes. However, there are no requirements for reporting such individual and corporate philanthropy, and therefore no readily available source to provide a good estimate of its size and contribution.

Nevertheless, estimates by the *India Philanthropy Report* (2019) suggest that individual philanthropists contributed INR 430 billion in 2018, or 60 percent of the total private funding in the social sector. Philanthropy is increasingly strategic in India, with more focus on maximizing scale and impact, an approach that addresses structural challenges and an increased focus on the need for systems change and collaboration with government (Hartnell, 2017).

Taxpayers in India can claim income tax deductions on account of their donations to charitable trusts and institutions as per the Central Tax System.[2] In 2017–2018 a total of 608,836 corporations, 86,571 non-corporate organizations, and 31,444,307 individual taxpayers were reported to have claimed tax deductions. The amount claimed totalled INR 23.17 billion. However, the share of overall individual giving that is captured by these numbers is very small, because the vast majority of nonprofits are not tax exempt, tax collection rates are low, and most giving remains informal. See Table 2.

While the Government of India makes a large number of grants available through many different schemes, there is no reporting on the overall grants that have gone to the nonprofit sector. Our

[1] As per the amendment, companies with a net worth of INR 5 billion (USD 70 million) or more, or an annual turnover of INR 10 billion (USD140 million) or more, or net profit of INR 50 million (USD 699,125) or more, have to spend 2 percent of their average net profits of three years on CSR.

[2] In the absence of a disaggregated data for individual charitable contribution, the income tax deductions claimed under section 80G in the year 2017–2018 is the only publicly available data for estimating formal giving by individuals and corporates; The Govt. of India, under the Central Tax System, extends tax incentives in the form of income tax deductions on donations to charitable trusts and institutions (Section 80G). It is difficult to ascertain the total charitable contributions made by corporates and individuals as the income tax deduction claimed is a function of the tax slab the taxpayers fall into, the deduction they are eligible for (50% versus 100% deduction) and the actual donation amount made by the taxpayer.

estimate is based on the number of NGOs that have mandatorily registered themselves on the government-managed portal DARPAN to receive government funding. In 2017–2018, a total of 58,624 NGOs registered on the DARPAN website reported a total of INR 104,900 million in government grants.

TABLE 2: SOURCES OF CONTRIBUTIONS

Head		Source/ Database	Estimate (INR)
A. Corporate Social Responsibility			
	Grants through Corporate Social Responsibility Act (CSR)	https://csr.gov.in/CSR/	**136.24 billion**
B. Individual & Corporate Giving			
1.	Formal Giving (Income Tax deductions* claimed on account of donations to charitable trusts and institutions)	https://www.indiabudget.gov.in/budget2018-2019/ub2018-19/rec/annex7.pdf	**23.16 billion** (sum total of items placed at i,ii,iii)
	i. Corporate Taxpayers		15.93 billion
	ii. Non Corporate Taxpayers (Firms/ Associations of Persons (AOP)/Body of Individuals (BOI)		1.19 billion
	iii. Individuals/Hindu Undivided Family (HUF) Taxpayers		6.04 billion
2.	Everyday/Informal Giving by Individuals**	Report : 'Everyday Giving in India' by Sattva Consulting:	**~ 307 billion**
** This indicates the Income Tax deductions claimed by Corporate, Non Corporates, and Individuals/HUF on account of donations to charitable trusts and institutions under section 80G. For further details, please see methodology note.* *** A report by Sattva Consulting estimated that 90% of India's everyday giving is informal and largely in cash; it is mostly targeted to community members such as domestic helpers, homeless, and to religious or spiritual institutions.*			
C. Government Grants			
	Grants-in-aid to NGOs listed on DARPAN portal	https://ngodarpan.gov.in/	**104.9 billion *****
****This is the sum total of amounts sanctioned by the Central and State Government. to the NGOs registered on DARPAN.*			

At the same time, however, the vast majority of giving in India remains informal, with estimates from Sattva suggesting that informal giving accounts for up to 90 percent of total individual giving. Based on primary data collection of 106 NGO leaders, 700 everyday givers, and secondary data, Sattva estimated the total informal everyday giving to amount to INR 307 billion (Sattva, 2019).

USES OF CONTRIBUTIONS

These contributions form part of traditional giving in India, and include support in cash or in kind to the extended family, and to friends. It also includes supporting individuals working for households and covering additional ad hoc costs, such as financing schooling or contributing to medical costs or to a family wedding or funeral of a domestic worker. Additionally, it is common for companies to help employees out in times of need. Likewise, many give on an ad hoc basis to the homeless and poor.

A study by the Charities Aid Foundation found that 72 percent of the people surveyed reported giving INR 5,000 in the last year, and they usually donated to a religious establishment or sponsored somebody in need. Sixty-eight percent of these donations were made in cash (CAF, 2019).

Spiritual and religious institutions receive a large amount of cash in contributions as individuals across all religions have a habit of religious giving. Data from the 2015 National Sample Survey of Household Expenditure found that across all religious affiliations, there are two prevalent types of giving: donations to religious institutions, and donations to priests and individuals (National Sample Survey Office, 2016).

Likewise, undertaking "sewa," or work, is an in-kind form of giving common in many spiritual and religious movements in India, often focusing helping those most in need. Giving in kind is also common outside the religious sphere. For example, "Daan Utsav" is a week-long festival of giving, celebrated every year, October 2–8.[3]

NEW SOURCES

In recent years, new organizational forms for undertaking philanthropic giving have emerged, with an emphasis on scale, efficiency, return on capital, and impact measurement. These organizational forms include venture philanthropy and impact investing, but also new technologies and platforms that have opened up for online giving and crowd-funding, such as Give India, Ketto, and other online platforms.[4] These platforms have been especially important as a tool for fundraising for disaster relief efforts, whether during earlier flooding in the South Indian states of Kerala and Tamil Nadu, or during COVID-19.

India's impact investing sector has been building and strengthening over the past decade. Today, there is a wide range of domestic and international investors with funds that range on a spectrum from venture philanthropy on the one hand to primarily financial return driven funds on the

[3] See https://daanutsav.org/.
[4] Give India: https://www.giveindia.org/ ; Ketto: https://www.ketto.org/

other. While data is limited, the sector was estimated to have had investments of USD 1.1 billion in 2016, and a total of USD 5.2 billion over the years 2010–2016 (McKinsey & Company, 2017). In 2019, there were approximately 30 impact investors active in India, funding social enterprises across sectors such as health, agriculture, livelihoods creation, water and sanitation, education and skilling, and renewable energy (Ravi et al., 2019; Intellecap Group, 2019). The sector has its own umbrella organization, the India Impact Investor's Council. Blended finance and other innovative methods to better support social enterprises are emerging, such as development impact bonds. The announcement in 2019 by the Finance Minister of plans to set up a social stock exchange, when realized, will likely give further impetus to this sector.

CHALLENGES

The regulatory and policy environment has a dual nature, sometimes enabling and at other times not.

One challenge for the philanthropic ecosystem is that the regulatory framework remains fragmented. There are myriad regulations governing the sector, both in terms of setting up a nonprofit, as well as in setting up and running a foundation. At the same time, registered nonprofits are at times at risk of losing their tax-exempt status due to recent amendments to the Finance Act that govern these, which is now out of step with the work of many nonprofits.

Tax incentives for philanthropy are at a low ebb, providing little impetus to philanthropic giving.

Additionally, foreign funding for nonprofits, in particular, faces significant scrutiny under the *Foreign Contribution Regulation Act (FCRA)*. In October 2020, the FCRA was amended to:

- Prevent organisations receiving international funds from onward granting these to other organisations
- Permit a maximum of 20% of funds received from international sources to be spent on administrative expenses
- Require all funds from international sources to be routed through a single bank
- Make the process of renewal of FCRA permissions more onerous
- Permit authorities to suspend registrations for 360 days (up from 180 days previously) to investigate charges of malfeasance against an organisation
- Permit confiscation of assets created using international funds if the recipient organisation wants to surrender their permission to receive international funds
- Require biometric identity details from Indian members of governing bodies of recipient organisations
- Ban a wider category of public servants from receiving international funds.[5]

[5] FCRA Amendment 2020: https://fcraonline.nic.in/home/PDF_Doc/fc_amend_07102020_1.pdf

On the other hand, the impact of mandatory CSR spending has expanded the pool of capital available to the sector. Likewise, foundations and corporations are often invited to participate in national programs such as the Swachh Bharat (Clean India) campaign.

There is no systematic reporting of data to estimate the size of the philanthropic sector in the country except for international funding and CSR.

The lack of data is made more difficult by the lack of norms around reporting by philanthropies. Few institutions report on their funding in a transparent manner or go beyond what is required by law.

Lastly, for the vast majority of giving—individual informal giving—there is no database or systematic effort to calculate it.

Effects of COVID-19 Pandemic Relief Funding

The COVID-19 pandemic in India has significantly impacted philanthropic and CSR funding in the country, with the vast majority being redirected to immediate relief work. This is a concern for many nonprofit organizations that fear a lack of funding going forward. Nonprofits dependent on CSR funding in particular are facing challenges. Corporate funders are redirecting a substantial part of current CSR funding to immediate relief work, including the PM CARES Fund set up by the Government of India in light of the pandemic. Furthermore, likely reduced financial profits in the coming year will result in much smaller CSR budgets in the near future.[6]

Current and Future Developments

Two recent developments in India include the updated regulations governing CSR (a major source of domestic funding for nonprofits), and the proposed social stock exchange.

A cause for concern is a proposed amendment to the *Companies (Corporate Social Responsibility Policy) Amendment Rules*, 2020, under which only Section 8 companies and entities established by the Parliament or a state legislature, will be eligible to receive CSR donations. The vast majority of nonprofits in India are trusts or societies, and these would no longer be able to access CSR funding if this amendment comes into force.

In 2019, the Government of India proposed to set up a social stock exchange (SSE), to enable social sector organizations to more easily access funding (Working Group on Social Stock Exchange, 2020). A working group was formed, and in June 2020, a report released suggesting a way forward. The SSE working group suggested ways for both for-profit social enterprises and nonprofits to participate in the stock exchange. An important aspect of the SSE is to make more funding accessible to nonprofits by allowing them to list zero coupon zero principal bonds on the

[6] Link to download the CSIP COVID-19 research report: https://csip.ashoka.edu.in/research-and-knowledge/

stock exchange (that could be used for development impact bonds), and to allow alternative funding structures that will route commercial capital their way. Overall, the SSE proposes to improve the monitoring and evaluation framework for the social impact sector, strengthening of the ecosystem, and making the regulatory environment more enabling, with, for example, tax and fiscal incentives.

Conclusion

In conclusion, India's philanthropy landscape is changing rapidly and there are opportunities to change the policy and regulatory landscape to further enable stakeholders to deploy their capital more effectively, while allowing more nonprofits to make the most use of that capital.

Appendix A

Quantitative Estimates for India (2017–2018): Note on Methodology

BACKGROUND

India has a rich history and culture of giving, at individual as well as institutional level. Yet, there is no systematic reporting of data to estimate the size of the philanthropic sector in the country. In fact, most individual giving is at an informal level, in cash and kind, which is not accounted for in any database.

The primary objective of this study was to develop quantitative estimates of cross-border philanthropic contributions in India for the year 2017–2018. To this end, publicly available data was extracted and categorized as per funding sources. This methodological note details the approach followed for developing the quantitative estimates.

Philanthropic Resource Flows in India: Figure 1 is a snapshot of the flow of philanthropic capital in India. 'A' and 'B' indicate cross-border philanthropic resource flow as India is both a recipient and a provider of foreign aid. 'C' represents domestic philanthropy.

FIGURE 1: FLOW OF PHILANTHROPIC CAPITAL IN INDIA

Cross- Border Philanthropic Resource Flows in 2017–2018

A. INFLOW OF PHILANTHROPIC RESOURCES

A.1. India receives Official Development Assistance (ODA) from OECD Development Assistance Committee (DAC). The estimates for the year 2017–2018 have been extracted from the OECD website.[7]

A.2. Non-Government Organizations (NGOs) in India, desirous of receiving funding from international organizations and foreign individuals, need to register under the Foreign Contribution (Regulation) Act (FCRA) 2010. These foreign contributions are regulated by the Ministry of Home Affairs (MHA), Government of India (GoI) and are publicly available. In 2017–2018, a total of 23,592 NGOs received foreign donations.[8]

B. OUTFLOW OF PHILANTHROPIC RESOURCES

B.1. India extends development assistance to many South Asian countries. Ministry of Finance, GoI makes this data publicly available under the Expenditure Profile of the Union Budget.[9]

B.2. Foreign donations by Indians are permitted under the *Liberalised Remittance Scheme* (LRS) of the Reserve Bank of India (RBI). RBI makes this data public in its bulletins.[10]

Domestic Philanthropic Contributions in 2017–2018

The Indian social sector receives funding from both public and private sources.

A. CORPORATE SOCIAL RESPONSIBILITY

India was the first country in the world to make Corporate Social Responsibility (CSR) mandatory, following an amendment to the *Companies Act*, 2013 in April 2014.[11] Ministry of Corporate Affairs (MCA), GoI maintains a public database detailing reported annual CSR spending by corporations. In 2017–2018, a total of 21,397 corporations reported CSR spending.[12]

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[7] The reported figure is at constant prices with unit Mn US $ 2018, the same has been converted to the local currency INR using conversion rate of $1 = INR 72.

[8] See https://fcraonline.nic.in/home/index.aspx.

[9] See https://www.indiabudget.gov.in/budget2017-2018/ub2017-18/eb/stat20.pdf.

[10] The Reserve Bank of India (India's Central Bank) under its Liberalised Remittance Scheme (LRS) allows all resident individuals, including minors, to freely remit up to USD 250,000 per financial year (April–March) for any permissible current or capital account transaction or a combination of both. 'Donations' is one of the permitted items under the LRS; See https://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=17575.

[11] As per the amendment, companies with a net worth of INR 5 billion (USD 70 million) or more, or an annual turnover of INR 10 billion (USD 140 million) or more, or net profit of INR 50 million (USD 699,125) or more, have to spend 2 percent of their average net profits of three years on CSR.

[12] See https://csr.gov.in/CSR/.

B. INDIVIDUAL AND CORPORATE GIVING

Individual giving is the biggest missing piece in estimating the volume of philanthropic capital in India as there is no systematic collection of data.

B.1. Formal Giving: Taxpayers in India can claim income tax deductions on account of their donations to charitable trusts and institutions as per the Central Tax System. The volume of claimed income tax deductions is published by the Ministry of Finance, GoI as *Statement of Revenue Impact of Tax Incentives under the Central Tax System.*[13]

B.2. Informal/Everyday giving: Informal or everyday giving constitutes the bulk of individual giving in India. The report *Everyday giving in India* by Sattva Consulting estimates the informal giving to be 90 percent of total individual giving. These contributions, mostly in cash and kind, are made to community members such as domestic help, homeless, and to religious and spiritual institutions, and are not reported. Sattva Consulting undertook primary data collection with 106 NGO leaders, 700 everyday givers, observations, and literature review.

C. GOVERNMENT GRANTS

In order to receive government funding, NGOs have to mandatorily register on a government-managed portal called DARPAN. Once registered, these NGOs need to self-report government funds sanctioned to them. In 2017–2018, a total of 58,624 NGOs reported data for government-sanctioned funds.[14]

Limitations of the report

- Absence of systematic collection of data on philanthropic funding makes it difficult to estimate the volume of philanthropic resource flows in India.
- Indian Philanthropists and Foundations are not required to report their volume of funding.
- As a general practice, individuals and organisations are wary about sharing data, especially financial data.
- Individual giving is the biggest missing piece in the Indian philanthropy landscape; most funding is informal and not reported.

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[13] The Govt. of India, under the Central Tax System, extends tax incentives in the form of income tax deductions on donations to charitable trusts and institutions (Section 80G). Ministry of Finance, Govt. of India publishes a 'Statement of Revenue Impact of Tax Incentives under the Central Tax System' which states the total amount claimed as income tax deductions by taxpayers (Corporates, Non Corporates and Individuals) under section 80G. It is difficult to ascertain the total charitable contributions made by corporates and individuals as the income tax deduction claimed is a function of the tax slab the taxpayers fall into, the deduction they are eligible for (50% versus 100% deduction) and the actual donation amount made by the taxpayer. In the absence of a disaggregated data for individual charitable contribution, the income tax deductions claimed under section 80G in the year 2017–2018 is the only publicly available data for estimating formal giving by individuals and corporates.

[14] See https://ngodarpan.gov.in/.

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