



**LILLY FAMILY
SCHOOL OF PHILANTHROPY**
INDIANA UNIVERSITY

The 2025 Global Philanthropy Environment Index India

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Society, Trust, Section 8 Company

Five main social issues addressed by these organizations: Healthcare, Education, Rural Development and Livelihood Enhancement, Environment and Sustainability, Art, Culture & Heritage

Average time established by law to register a philanthropic organization: 31–60 days

Average cost for registering a philanthropic organization: USD 150

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government, State Government: Central/Federal Government regulates the incorporation of Section 8 Companies while State Governments do the same for Trusts and Societies.

PHILANTHROPIC ENVIRONMENT SCORES

Year	Ease of operating a PO	Tax incentives	Cross-border philanthropic flows	Political environment	Economic environment	Socio-cultural environment	Overall score
2025 GPEI	3.17	2.75	2.50	3.25	4.30	4.30	3.38
2022 GPEI	3.17	2.75	2.50	3.25	4.00	4.00	3.28
2018 GPEI	3.33	3.50	2.70	3.50	N/A	3.00	3.21

Source: Indiana University Lilly Family School of Philanthropy, 2025 Global Philanthropy Environment Index

¹ Authors of the 2025 *GPEI* report are providing updated narratives and scores to the 2022 *GPEI* report.

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KEY FINDINGS

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 4

A group of individuals are free to form a PO as a trust, society, or a Section 8 company. Two or more individuals (a settlor and one or more trustee) may form and govern a public charitable trust and act as trustees.³ There are several purposes for which a trust may be set up, including poverty relief, education, medical relief, the provision of facilities for recreation, or any other objective of general public utility. Seven or more members can form a society, which is a nonprofit membership organization for a literary, scientific, or charitable purpose. Although most state laws follow the federal Societies Registration Act of 1860, the scope of work of a society can vary depending on the law of the state in which the society is registered (ICNL, 2023). Like a trust, a Section 8 company can be formed with two or more people. According to Section 8, a company is a nonprofit company that is set up for “the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object” (The Companies Act, 2013: Section 8, para. 1.a.).

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 2.5

Regulation and reporting vary from one state to another. For example, a few states like Maharashtra and Tamil Nadu have their own Public Trust Act. Only in Tamil Nadu can the state government take over a PO. In other states, they cannot do so without a court order. Mostly the regulation is limited to disclosure and recording of key documents/governance. However, there is more intense regulation of particular entities, including those who receive foreign contributions and those who enjoy tax exemptions.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 3

POs (also known as “trusts,” “societies,” or “Section 8 companies”) cannot be shut down by the government without a court order, except in the case of societies based in Tamil Nadu. Regarding tax exempt POs, the central government can withdraw tax exemption status and impose debilitating

³ A settlor is an individual who establishes the trust, outlines its terms, and transfers assets into the trust to be managed for the benefit of the beneficiaries.

penalties, subject to judicial review. Finally, the central government can withdraw FCRA (Foreign Contribution Regulation Act) registration or freeze the bank accounts of FCRA-registered POs largely at its own discretion, based on real or perceived violations.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 2.5

Taxpayers can get 50% to 125% of the amount donated to charity as offset from their income, thus effectively reducing their tax liability by about 10% to 36%. However, The New Tax Regime, which involves lower tax rates in exchange for no tax exemptions (including tax exemptions on donations made to charitable organizations), continues to exist and taxpayers can choose between the new and the old tax regimes when filing their annual income tax returns. Companies making Corporate Social Responsibility (CSR) donations are eligible to claim a tax rebate on these donations, under Section 80G of the Income Tax Act. Meanwhile, inter-charity donations—donations from international NGOs or grant-making foundations to civil society organizations or other POs within the country—are being gradually curtailed and restricted.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3

Tax exempt entities are rarely exposed to tax liability on their income. However, over the last two decades, several changes in tax law have meant that POs can be exposed to large tax liabilities for intentional or unintentional tax defaults, including simple mistakes in tax filings. The tax system is moving from a favorable state of relatively easy compliance norms to an unfavorable state of intricate compliance requirements due to extensive computerization.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 3

The legal regulatory environment enables sending cross-border donations through the Reserve Bank of India's Liberalised Remittance Scheme (LRS). While “Outward Remittances” increased by

26.09%, or \$9.23 billion, in the second quarter of 2023–24 (FY24) from \$7.32 billion in Q2 of 2022–23 (FY23), “Donations” that fall under these outward remittances saw a steep 41.29% decline to \$2.19 million (from \$3.73 million) during the same period (Varier, 2023). While this outcome could be associated with the COVID-19 pandemic, it is difficult to confirm the extent to which the two phenomena are related. The increase in outward remittances was primarily driven by investment in equity/debt (90% YoY), purchase of immovable property (56% YoY), travel (34%), and gifts (30%) (Varier, 2023).

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 2

The regulatory changes brought about through the Foreign Contribution Regulation (Amendment) Act 2020, which was reported in the previous *GPEI* submission, such as the complete prohibition on sub-granting foreign funds to other POs and the reduction in the cap on administrative expenses, caused a major disruption to grassroots POs, especially those dependent on large intermediary Indian POs. While the Act was passed in 2020, the impact of enforcement was witnessed during the study period 2021-2023. As a result, the fallout of the act manifested in the loss of FCRA licenses of many POs in the period of this report.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score:3

The policy environment is arguably favorable, except for POs that receive foreign contributions, who have recently faced challenges and regulatory overheads in order to maintain or apply for licenses. The regulations were introduced to enhance transparency and increase accountability in intended receipt and utilization of foreign funds. However the regulations have caused an administrative burden on small POs, which form the majority of the Indian social sector. Favorable aspects of the political environment are a growing trend of collaboration between governmental bodies such as NITI Aayog and POs and continuation of laws mandating corporate philanthropy.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 3.5

Policies and instruments such as the mandatory corporate contribution under the Corporate Social Responsibility (CSR) Act and the Social Stock Exchange (SSE) have opened up new avenues for social sector funding. In 2019, the Government of India proposed to set up a social stock exchange (SSE), to enable social sector organizations to easily access funding. As of April 2023, the Indian SSE was set up in both the National Stock Exchange (NSE) and the BSE (formerly known as the

Bombay Stock Exchange). To date, a few financial instruments have been approved and notified, including Mutual Funds and Social Impact Funds. New instruments called Zero Coupon Zero Principal (ZCZP) bonds have been conceived and approved. There have been recent rounds of amendments to the CSR Act that would pressure the POs to “utilize” the funds instead of simply “spending” or sitting on the funds. There are, however, growing concerns that the pressure to use the funds may shift focus to short-term programmatic funding, or if the funds are not utilized, there's a clause that will require the unused funds to go into government funds.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 4.3

With a GDP growth rate of 7.5% in FY 2023, the Indian economy continues to be one of the fastest-growing economies in the world and is expected to keep growing at this pace. As per the India Philanthropy Report 2024, social sector spending also experienced exponential growth, with a robust annual growth rate of 13%. Fiscal year 2023 recorded total social spending at approximately INR 23 lakh crore (approximately USD \$280 billion), which is about 8.3% of India's GDP (Bain & Company & Dasra, 2024). Moreover, private philanthropy grew at 10% in FY 2023. The growth impetus (compared to FY 2018–2023's 5% annual growth) was primarily driven by growth in family philanthropy (15%) and retail philanthropy (12%). Meanwhile, contributions from corporate social responsibility (CSR) and high-net-worth individual (HNWIs) grew moderately at 7%. Askoha University's Centre for Social Impact and Philanthropy's (CSIP) How India Gives 2021–22 report (2022) also points to a 13.9% increase in the market size of household donations.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score:4.3

India has a rich culture of giving, across faiths, regions and territories. The COVID-19 pandemic witnessed an unprecedented level of philanthropic response in the country. There was also a surge of fundraising through crowdfunding platforms and retail fundraising. One of the characteristics of Indian traditions are donations during religious events, at religious places and during milestone events. As per CSIP's 2023 report on *Motivations and Barriers to Household Giving in India*, most donations are driven by 'religious customs,' 'religious beliefs,' 'family tradition,' and 'self-motivation or peace.' In the last few years, there has been a growing focus on 'professionalization of the social sector' alongside the surge of new organizational forms undertaking philanthropic giving, including collaboratives. According to the Impact Philanthropy 2024 report by Bain & Company & Dasra, these collaboratives are beginning to tackle underfunded issues, with over half of the collaboratives focused on climate action and ecosystem strengthening.

VII. Recommendations for Philanthropy

These questions are used to provide a general picture of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Three key recommendations to improve the environment for philanthropy

- Reduced PO regulations, including reduced restrictions on foreign funding. The over-regulation and scrutiny of foreign funded POs is impacting the trust that the social sector enjoys. Given that the sector draws funding from various stakeholders based on trust, it is imperative to also acknowledge and give credit to the work done by the sector players.
- There should be government incentives for private philanthropy as well as guidance, knowledge, and insights from within the philanthropic ecosystem for developing effective philanthropy.
- The sector is over-regulated with increasing challenges in interpreting regulatory frameworks, especially due to a lack of in-house NGO expertise. Appropriate measures to understand the legal and regulatory framework and its impacts will help support POs.

Lasting innovation or impacts in the nonprofit sector and philanthropy in response to the COVID-19 pandemic

- Diaspora giving
- Increased collaboration between POs
- Increased collaboration between the philanthropic/NGO sector and government
- Online and digital giving
- More flexible tax benefits
- Prioritized support of vulnerable populations, including migrant workers
- Virtual or hybrid workplaces

Issues or trends are emerging as significant to the nonprofit sector and philanthropy

- Crowdfunding
- Climate change and environmental conservation
- Decline of democracy
- Increase of nationalism
- Increase of organized religion
- Professionalization of the nonprofit sector

In the last few years, there has been a growing focus on ‘professionalization of the social sector’ as many new organizational forms for undertaking philanthropic giving, including collaboratives, have surged. While this trend is still emerging, these new forms of organizations are placing greater emphasis on scale, efficiency, return on capital, and impact measurement. These organizational forms include venture philanthropy and impact investing as well as new technologies and platforms that have opened up for online giving and crowdfunding. Meanwhile, collaboratives are being formed to tackle issues that receive less funding. For example, a large portion of the philanthropic collaboratives identified in India focus on climate issues or strengthening the ecosystem. On the

other hand, the Indian tax system should offer attractive tax incentives fueling higher giving, especially among the growing class of affluent Indians.

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