

INDIA'S SUPER RICH GIVE LESS WHILE CSR CONTRIBUTIONS GROW, SAYS NEW REPORT

Relevant for: Developmental Issues | Topic: Role of NGOs, SHGs, Donors & Charities, and Institutional & other Stakeholders in Development Process

CSR contributions have grown to 23% in FY21 from 12% in FY15, in terms of total philanthropic contribution as well as the amount

India's uber rich have sharply reduced their philanthropic contributions despite a surge in net worth in the past six years, according to a report.

The tally of retail contributors, or individuals who give less than 1.5 lakh annually, has however, swelled both in terms of their count as well as the size of contributions.

Ultra-high net worth individuals (UHNIs) or people with a net worth of more than 1,000 crore have scaled down their philanthropic contributions by about 40% to 12,000 crore in the six years through March 2021, according to the India Philanthropy Report 2022 released on Tuesday. Total contributions by individuals climbed 33% from 21,000 crore in the fiscal ended March 2015 to 28,000 crore in FY21.

The report said the number of individuals with wealth exceeding 1,000 crore has increased by about 20% from FY20 to FY21, while their cumulative net worth expanded by about 50%, from about 6 trillion to about 9 trillion in the same period. Also, the cumulative wealth of UHNIs in the more than 5,000 crore bracket soared about 80%.

Contributions by India Inc. under corporate social responsibility (CSR) mandates has meanwhile, risen during the period, helping sustain the pace of increase in private domestic philanthropy.

The report forecast total private philanthropic funding in India to grow at 12% every year over the next five years to touch 1.8 trillion by FY26, up from the flat growth of 8-10% seen in the last few years.

The report was prepared jointly by consulting firm Bain and Company and Dasra, a non-profit venture philanthropy fund, to give an overview of social sector funding and the contribution of various stakeholders.

Although absolute UHNI spends on philanthropy have grown in the past two years, the allocation in comparison to their rise in net wealth has fallen, the report said. Former Wipro chairman Azim Premji is the only exception to this. Family philanthropy, or giving through family foundations set up by UHNIs and HNIs, has also fallen to a third of total private contributions, from 37% in FY15 to 11% in FY21.

"In the last two years, during the pandemic, there was a feeling or a subjective sense that a lot of giving was happening. Everyone has been trying to help either at the community or the individual level. So, I would have expected a far more significant increase (in numbers)," said Neera Nundy, co-founder, Dasra.

Radhika Sridharan, partner at Bain, said contribution from UHNIs has been fluctuating every year, showing a lack of consistency. "We have seen a lot of fluctuation in giving year-on-year in

this space. The funding allocation goes from close to 2,000 crore a year to 20,000 crore; that's the kind of deviation the category has seen from individuals over the last six years. The category comprises about 100 UHNIs," said Sridharan.

The reason for this, she explained, is individuals' tendency to donate a large chunk of money at one go, and not follow up subsequently. Since UHNIs tend to donate in large amounts, an average of 5 crore a year, they may give a particular year and not return for a year or two. "There is no consistency in who is giving and the number of givers. The amount they donate can vary quite substantially every year," Sridharan said. About half of UHNIs have been consistent in their giving, while others "go in and out", she added.

There is also a gap between giving as a percentage of net worth, and this is especially stark as the net worth of most UHNIs has increased substantially over the last six years. "We haven't seen giving numbers substantially go up in line with the increase in net worth," Sridharan said. Each of the 10 UHNIs donate between 50-100 crore a year, while the rest, on average, donate 15 crore each per year.

UHNIs from the tech sector were more generous in giving than other sectors. Although they comprise only 8% of the total UHNI wealth in FY21, their donation was about 35% of total donation.

On a global scale, the relative contributions of Indian UHNIs or giving as a percentage of net wealth ranged between 0.1% and 0.15%. This is far lower than the contributions of UHNIs in other countries such as China, where it has ranged between 0.5% and 1.4%. The figure ranged between 0.2% and 2.5% in the US and 0.5%-1.8% in the UK.

Though individuals may not be donating as much as expected, the report is optimistic about performance of family philanthropy, and predicts a 13% annualized growth till 2026. This is likely to be led by tech entrepreneurs and NowGen philanthropists or those from multigenerational philanthropic families.

CSR contributions have grown to 23% in FY21 from 12% in FY15, in terms of total philanthropic contribution as well as the amount. The 2% legal mandate introduced by the government in 2014 has had a huge role in this with all companies now legally bound to allocate 2% of average net profit earned over the last three years to CSR.

Over 70% of firms gave less than 50 lakh each, though there has been a 15% increase in the number of companies in this bracket. A minuscule 3% contributed above 10 crore each in FY20. "In 2015, the contribution of BSE 200 companies was more than 50%. It's reduced now as we are seeing a greater number of smaller companies contributing to the CSR pie," said Sridharan. According to the report, the contribution from CSR is expected to touch 19% and form 32% of total private giving by FY26.

Never miss a story! Stay connected and informed with Mint. [Download](#) our App Now!!

Log in to our website to save your bookmarks. It'll just take a moment.

Oops! Looks like you have exceeded the limit to bookmark the image. Remove some to bookmark this image.

Your session has expired, please login again.

You are now subscribed to our newsletters. In case you can't find any email from our side,

please check the spam folder.

This is a subscriber only feature [Subscribe Now](#) to get daily updates on WhatsApp

END

Downloaded from crackIAS.com

© **Zuccess App** by crackIAS.com

CrackIAS.com