



# Role of Philanthropy in Accelerating Economic Growth

**For Mains:** Philanthropy and major challenges inhibited Indian Philanthropy

## Why in News?

Through philanthropy, India can reach a per capita income of USD15,000 by India@100 by 2047, accelerating inclusive and sustainable economic growth.

## What is Philanthropy?

- Philanthropy refers to **charitable acts or other good works** that help others or society as a whole.
- Philanthropy can **include donating money to a worthy cause** or volunteering time, effort, or other forms of altruism.

## What do we Know about Philanthropy in India?

- **Pre-Industrial India:**
  - **Philanthropy has long been embedded in the fabric of Indian society** and contributed heavily to the creation of modern-day India.
  - Pre-industrial India saw **business families giving away a proportion of their income to local charities.**
  - Industrialization **enabled rapid wealth creation**, business leaders like Sir Jamsetji Tata voiced their opinions on using wealth for social good, donating vast amounts to create exemplary institutions.
- **During Freedom Struggle:**
  - **Mahatma Gandhi** encouraged businessmen to contribute their wealth to society as India's Independence movement began.
  - Industrialists like **Jamnalal Bajaj and G.D. Birla supported Mahatma Gandhi's initiatives** during the **freedom movement** while pursuing their own philanthropic interests.

## What is the Philanthropic Model in the United States?

- With prominent leaders at the forefront, **Indian philanthropy was thriving**, simultaneously, **America was witnessing the Carnegie-Rockefeller era of philanthropy.**
- Andrew Carnegie **built impressive institutions** (like Carnegie Library and Carnegie Mellon University), but also **inspired (and instigated) the rich.**
- The last line of his book reads: **"The man who dies rich, dies disgraced."**
- John D. Rockefeller, a hard-nosed monopolist, eventually donated large amounts of money to systemic reforms, especially to improve the education system.

- The Rockefeller Foundation also **developed the vaccine to eradicate yellow fever.**

## What are the Major Challenges inhibited Indian Philanthropy?

- **A Trust Deficit:**
  - Budding philanthropists **haven't yet come to fully appreciate the good work** being done in the impact sector.
- **Parochial Nature of Giving:**
  - The parochial nature of giving risks some of the poorest parts of the country being ignored.
- **Programmatic Nature of Giving:**
  - The results of **programmatic giving are unsatisfactory.**
  - **Example:** a number of foundations and NGOs work on school education, yet learning outcomes have not improved.

## What should be the Way Forward?

- **Build Institutions:**
  - In order to build new universities in India, collective philanthropy is needed.
  - To improve their rankings, **IIT and IIM alumni could fund research centers.**
  - **Donors can fund think-tanks and build area-specific** (say, on energy transition) or geography-specific (such as eastern Uttar Pradesh) institutions.
  - **Example:**
    - The **Tata family continued Jamsetji Tata's tradition of philanthropy** and has been a pioneer in building institutions like the Indian Institute of Science in Bengaluru, [The Energy and Resources Institute \(TERI\)](#), Tata Memorial Hospital, etc.
- **Fund Risky R&D for the Government:**
  - Governments are the **principal actors in the social sector** and spend crores on education, health, etc.
    - However, the **government is a behemoth and can't experiment or innovate** on a continuous basis, state capacity is also limited.
  - Philanthropists can **fund innovative models and test new ideas through non-profits** by building evidence, advocating for policy change and supporting government implementation.
  - **Example:**
    - Nandan Nilekani built an innovation ecosystem which supports the government in developing a best-in-class digital architecture for India (think of [Aadhaar](#), [Unified Payments Interface](#) and eKYC).
- **Support Governments to Improve Delivery:**
  - Partnering with the government as a philanthropic entity is the most effective way to make a scalable and sustainable impact.
  - For this, **philanthropists need to change their orientation** from funding programme delivery through **NGOs** (like funding [mid-day meals](#) in schools) to initiatives which improve the government's system of delivery.
  - **Example:**
    - The **Piramal Foundation is supporting the Aspirational Districts collective**, Veddis Foundation is funding initiatives to improve the evidence base and outcome orientation of governments.
- **Enable Economic Growth:**
  - Philanthropists can **use their wealth and experience to advocate policies**, support the improvement of enabling conditions for investment, exports and job creation, and help transform India's economy.

[Source: Livemint](#)

