



Capital League
PRIVATE WEALTH MANAGEMENT

STRATEGIC PHILANTHROPY



Investing in Impact

Knowledge Series

I strongly believe that those of us who are privileged to have wealth, should contribute significantly to try and create a better world for the millions who are far less privileged. - Azim Premji



Background

Dān or giving, often in the context of donation and charity, is an evolved concept in the Indian tradition. It is well-defined with its various nuances in the Vedas and other ancient texts. In our culture 'giving' is associated with benevolence (paropkar), giving alms (bhikhsa), paying a fee (dakshina), and charity for the larger public good.

This process of giving has increasingly become structured and result-oriented and is often aligned with the individual's or the organisation's value system.

What is Strategic Philanthropy?

Even after many years of rapid economic growth large parts of the country and many sections of our society are beset with fundamental development issues. Driving social change demands significant amounts of time, effort and resources. Many of the problems we seek to solve need detailed and well-structured strategies drawn up after considerable study and research. Therefore, it is vitally important that philanthropy is aligned to strategic goals.

Strategic philanthropy involves allocating time and resources to charitable work according to a concrete, overarching strategy in pursuit of a well-defined mission.

Elements of Strategic Philanthropy



Goals



Data-Driven Plans



Accountability
and Roles



Impact Evaluations

Strategic philanthropy is characterised by the following:

- **Goals:** Clear well-defined goals – outcomes, and timelines.
- **Data-Driven Plans:** Quantifiable, evidence-based with robust data collection procedures in place to record and measure the outcomes of grants and programs.
- **Accountability and Roles:** With guidance from in-depth research and data, the role and responsibilities of the executing agency should be clearly stated.
- **Monitoring and Evaluations:** Regular monitoring of activities and measuring their impact are essential elements. Outcomes are another significant aspect. Collecting and communicating data regarding the impact of these strategized efforts is essential for informing for taking subsequent funding decisions.

With principles that are simple and straightforward to follow, this model guides wealthy families and their organisations toward crafting a strategy for contributing the right funds to the right places in order to further their particular philanthropic missions.

Why is Strategic Philanthropy required?

While the focus of traditional philanthropy has been on solving the immediate and pressing needs of the underprivileged, it is time for it to evolve to the next level. As the philanthropic pie grows larger a strategic approach is essential to ensure efficient use of resources to deliver higher social returns. Some of the other reasons are as follows:

- Strategic philanthropy is potentially an efficient way of leaving an enduring legacy. For many business owners strategic philanthropy supports their business by aligning the 'giving back' with their company's vision. Just as innovative and creative thinking helps small firms, it is the same for philanthropy.
- It can make an outsized impact by driving systemic changes and improving the effectiveness of existing spend and effort.

Benefits of Strategic Philanthropy

A strategic approach to philanthropy helps create a win-win equation, wherein the community benefits, and so does the individual and his/her enterprise. Some of the key benefits are listed below:

- **Societal Impact:** Purpose-driven philanthropic investment allows the alignment of wealth with the family's values and societal objectives. By contributing to causes that resonate with personal beliefs, philanthropy becomes an extension of one's purpose in life. It allows for lasting change. By supporting fundamental activities such as education, health or employability the impact of wealth goes beyond temporary relief, leading to long-term empowerment within communities.
- **Tax benefits:** Philanthropic contributions often come with tax incentives in India. By strategically using these benefits, individuals can optimise tax liability while contributing positively to society.
- **Networking opportunities:** Philanthropic endeavours can open doors to new networks and collaborations. Being part of charitable boards, events, or partnerships can lead to connections with like-minded individuals and organisations.



How to go about it?

For philanthropy to truly be meaningful, it must be executed thoughtfully and strategically. A comprehensive approach to philanthropy can ensure that wealth is not only preserved and grown but also employed to make a positive, lasting impact. The following offers a roadmap to responsibly give back to society.



- **Identify clear objectives:** Set a clear intention for specific areas of focus. It is useful to narrow down broad areas to prioritize and address causes that could have the maximum impact. Clear objectives guide effective charitable actions and prevent scattered efforts. This approach involves gathering data to assess the needs of particular communities and considering optimal resource allocation. Additionally, strategic philanthropy is clear about its form of engagement, whether through the building of institutions, grassroots intervention, R&D, or promoting systemic change.
- **Choose the right vehicles:** Various tools can be used for philanthropic giving in India, such as setting up a foundation, contributing to existing NGOs, or impact investing. Research and analysis of these options are essential to select the one that aligns with your goals, preferences, and financial planning.
- **Proactive:** Unlike traditional philanthropy where the donor's participation ends once the recipient receives the pay cheque, strategic philanthropists are proactive and interested in building lasting relationships with their beneficiaries. These relationships are essential for exchanging ideas, building trust with non-profit partners, and formulating solutions based on regular evaluations.

- **Sustained:** Although strategic philanthropy advocates proactiveness in giving, its ultimate goal is to minimize the philanthropist's role to empower beneficiaries to become self-sufficient.
- **Collaborate and leverage resources:** Collaborating with other philanthropists, NGOs, or corporate partners can amplify the impact. Pooling resources, knowledge, and efforts can lead to more substantial and sustainable changes.
- **Focus on ethical considerations:** Ensure that your philanthropic activities are in line with ethical considerations and societal norms. Consider the long-term implications, potential unintended consequences, and cultural sensitivities to make informed and responsible decisions.
- **Measure impact:** Effective philanthropy requires monitoring and evaluating the impact. Regular assessments through reports, field visits, or third-party evaluations can provide insights into how your contributions are making a real difference. It promotes transparency and accountability, allowing for necessary adjustments and improvements.

What is happening in India?

In India, personal wealth accumulation is witnessing phenomenal growth but philanthropy continues to lag far behind. However, there is a realisation that philanthropy can solve the most complex social challenges of our times.

The number of ultra-high-net-worth individuals (UHNIs) in India is rising at a brisk pace. Reports show that the wealth of the wealthiest in India increased ten-fold over the last decade. On the other hand, more than 200 million Indians were pushed into poverty during the pandemic. Further, giving has lagged behind despite a growing pool of first-generation wealth creators who have the ability to give forward. It is said that 2-3% of UHNIs' net worth (in line with the global average) can unlock funding of ₹600 - ₹1000 billion for philanthropy. Additionally, individuals tend to engage in philanthropy later in life (between 60-75 years of age), though they often have resources to give earlier in life.

Strategic philanthropy, clearly, can impact India's transformation.

Conclusion

Strategic philanthropy is not just an evolving trend; it is a reflection of a more humane and socially responsible approach to making their wealth meaningful and purposeful. In the Indian context, where social disparities exist alongside tremendous wealth, philanthropy can play a crucial role in bridging gaps and contributing to societal well-being.

There is also a high risk of failure, not only due to the nature of the sector but also because of external factors beyond control, like the larger economic and political landscape and policies.

Yet, strategic giving presents an opportunity to reimagine philanthropy as an inclusive, dynamic process for sustained impact. It needs to adopt a flexible strategic giving model to tackle pressing issues across a range of focus areas to promote systemic change.

As more individuals and foundations adopt such principles, they are not only facilitating continuous impact and dialogue but also fostering a culture of social responsibility and equity.

References

- <https://www.icicidirect.com/ilearn/personal-finance/articles/the-role-of-philanthropy-in-wealth-management-giving-back-and-making-a-lasting-impact>
- <https://timesofindia.indiatimes.com/blogs/voices/the-fundamentals-of-strategic-philanthropy/>
- <https://boldergroup.com/insights/blogs/strategic-philanthropy-bolder-group/>
- <https://www.indianphilanthropy.org/>
- <https://doublethedonation.com/strategic-philanthropy/#:~:text=What%20is%20strategic%20philanthropy%3F,pursuit%20of%20a%20definable%20mission.>
- www.wikipedia.org