



International Journal of Humanities & Social Science Studies (IJHSSS)
A Peer-Reviewed Bi-monthly Bi-lingual Research Journal
ISSN: 2349-6959 (Online), ISSN: 2349-6711 (Print)
Volume-III, Issue-I, July 2016, Page No. 251-257
Published by Scholar Publications, Karimganj, Assam, India, 788711
Website: <http://www.ijhsss.com>

An overview of Indian Economic Reform (Neoliberalism) and Philanthropy

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Abstract

India has a long history of philanthropy. Post liberalization of the market, the concept of philanthropy has radically changed. With the emergence of new middle class, foundations and corporate social responsibility wings of various public and private sector firms, hundreds and thousands of people have been benefited in the education, healthcare and various other sectors. This paper tries to trace the evolution of Philanthropy and how it changed overtime in the Indian context.

Key Words: IFI, Neoliberalism, Philanthropy, Foundations, Liberalization, BRICS.

An accomplished and informed understanding of Economic Reform aka Neoliberalism doctrine calls for an apprehension of its intellectual foundations and the temporal and spatial context which led to its emergence. The term 'neoliberalism' is associated with the liberalization of the global market. Neoliberalism has its roots in liberalism. Liberalism is widely regarded as a political mythos that vouched for strengthening, preserving and deepening of democracy, limited role of government and the right to assertion of individualism. Liberalism to a large extent owes its roots to Classical thinkers like Adam Smith and John Stuart Mill and was the prevalent intellectual framework for political economists till the 1930s. It was only during the Great depression that liberalists had no convincing account nor solution of the crisis. This was the period when Keynesianism emerged as the standard economic model for developed nations and any monetarist critique of it was viewed as a throwback to older forms of capitalism that had little relevance now. The sharp rise in inflation and the oil-shocks of the 1970s were the catalysts that pushed the neoliberal monetarist doctrine into the mainstream.

Neoliberalism is often perceived as a political belief that advocates the only legitimate area of the state is to safeguard individual and commercial liberty as well as ensure strong private property rights. The same applies on the global scale as well where free trade and unrestricted markets are advertised as inevitable for international welfare. The general understanding among Neoliberalists is that free trade will unchain the creative fervor and the enterprising potential which is intrinsic to any human society and consequentially leads to further liberty at the individual and commercial spheres allowing more efficient

allocation of resources. Individuals are held to be exclusively responsible for the choices and decisions they freely make and social injustices are usually acceptable to the levels where they're the consequences of such freely made choices. If a person who has been at the losing end of the bargain seeks state intervention for reparations, he's looked as morally eroded and scantily different from an advocate of authoritarian state. Neoliberalism purviews capital as money rather than production allowing capital to be mobile. What this meant was that Capitalism could now restructure itself and disengage capital from allegiances made during the Keynesian era. The contradictions lie in the fact that upsurge of USA and UK was actually led by authoritative leaders like Reagan and Thatcher who despite cutting down on the size of the government had to ensure strong presence in ensuring and sustaining the legal and political foundations of market.

After the break-down of the dollar-based fixed-exchange system in 1971 and the oil-crisis of 1972-73, when the third world nations failed in paying back the loans extended to them by international financial institutions (IFIs) such as the World Bank and the International Monetary Fund, they were forced to bring structural changes in their economies in exchange of further loans, and/or wavering/lessening down the quantum of loans that had been extended to them. This was neo-liberalism, a term used to denote the new-found love for and resurgence of the laissez-faire-centric ideas of economic liberalism. Neoliberalism is basically a bunch of certain economic policies which the World Bank and the IMF ask its borrower countries to follow. Neoliberalism gives much emphasis on free market, privatization, foreign direct investment, deregulation, reduction from taxes and so on. In the theory of neoliberalism, the role of the market is maximum and the State plays a petty role. Neoliberalism argues that State should stay away from the market and the State should give much emphasis on privatization and deregulation of the market. Neoliberalism is completely against the State investing money on welfare schemes for the poor like free distribution of food or MGNREGA (India) and other subsidy schemes as well. Instead they urge the State to invest the money in privatization process which they believe will create employment opportunities among the people leading to the growth and development of these people as well as the State.

Neoliberalism in India entered as a social and geopolitical crisis. Towards the late 1980's and early 1990's, India experienced certain social and geopolitical shocks. The ascending upper class across India, the anti-affirmative action steeped the country into turmoil. The Hindu fundamentalist political party BJP came into power polarizing the Hindu community through caste based politics. This resulted in Hindu-Muslim conflicts in many parts of the country and decadence of communal harmony. On May 21, 1991, the former Prime Minister of India was assassinated by Sri Lanka based extremist group LTTE in an election rally which shook the whole country. It produced disorientation among the public. India simultaneously faced geopolitical blow almost at the same time. India's longtime friend and business ally Soviet Union broke down in the year 1991. The first Gulf war in the year 1990 forced to return a huge number of emigrant workers from Kuwait and Iran which resulted in the decrease of foreign remittances. At the same time India encountered with the rocketing

international gas and petroleum prices. Simultaneously the big bang of balance of payment crisis pushed the country towards neoliberalism in the year 1990-91. India somehow managed to escape from the default of payment by borrowing money from the World Bank and IMF. In December 1991, the World Bank sanctioned USD 500 million towards structural adjustment program which was tied to Industrial and trade policy reforms. USD 250 million was approved by the Asian Development Bank as 'Program Loan' for restructuring the Oil and Natural Gas Commission and to start with the neo-liberal energy sector.

Wealthy individuals and families in developing countries have a long tradition of making charitable contributions to improve education and alleviate local social problems such as poverty, hunger and disease. For centuries, the wealthy prosperous land owners, aristocratic families, wealthy industrialists have supported the needy in their countries. In recent decades, emerging economies have grown rapidly and the number of wealthy individuals and families have grown exponentially particularly in the so called BRICS countries: Brazil, Russia, India, China and South Africa. Many new fortunes have been amassed by entrepreneurs in these emerging markets as their countries have liberalized, privatized and globalized. A number of these new wealthy entrepreneurs, families and their companies are 'giving back' to their societies through foundations or other charitable institutions. As India opened its market in the 1990s, new fortunes were created and the newly wealthy younger Indians, gradually turned to philanthropy.

India's economic and political liberalization of the 1990s has opened doors for private participation in spheres hitherto the province of the state. Such participation has brought a sea change in areas such as education and health. Although economic reforms have given a rapid momentum in the Indian Philanthropy, The cultural roots of philanthropy in India are ancient and deep, and have given life to long established traditions of philanthropic engagement, social service, and voluntary work. The worthiness of social service is deeply engraved in India's social consciousness; individual and unorganized giving have existed in various forms from time immemorial. The concepts of *daana* (giving) and *dakshina* (alms) in Hinduism, *bhiksha* (alms) in Buddhism, and *zakat* (prescribed offerings) and *sadaqaat* (voluntary offerings) in Islam have been a part of Indian culture for many centuries. It was, however, with Buddhism, through the order of monks (sanghas) and later with Christianity, that serving the needy first became organized institutional concern. The gospel of service was preached through the establishment of schools, hospitals, leper homes, and homes for the aged and the needy.

Philanthropy is literary "love of humanity". Philanthropy enhances what it is to be human through the process of giving and receiving – private giving for the betterment of others. It gives to society in many ways, and sometimes its contributions are making up for the failure of governments or the market place. Most philanthropy is directed to supporting individual and collective human initiative and ingenuity, an expression of belief that the answers to societies' toughest challenges lie not in an institution or set of actors, but in the vast array of individuals and institutions who make up those societies, who represent

different beliefs and perspectives and approach the same problems with different solutions. The value of a philanthropic portfolio is that it enables one institution, even with modest resources, to simultaneously, and overtime, test and support disparate organizations and interventions. This is an essential contribution to the immense undertaking of development. But philanthropy as a sector receives scant attention in the process and documents described above, and in turn does little to actively with them. There are exceptions, but they are very few relative to the scale, ambition and potential philanthropy's contributions to international development.

As in several other societies, the relationships between individuals and groups were established to ensure that the care of the underprivileged and vulnerable members of society was built into social institutions and structures. Social institutions provided mechanisms to help meet the needs of the old, the sick, and the handicapped as well as other helpless sections of the community. For example, the joint family, caste members and community councils often took responsibility for individuals who needed support.

The history and development of philanthropy in contemporary India is, in several ways, synonymous with the growth and establishment of the voluntary sector in India. Several major influences have strengthened, shaped, and defined philanthropy and the broader civil society in which it operates.

The contemporary non-government, nonprofit, and voluntary sector in India owe its origin to Gandhian principles, philosophy and practices. Inspired by Gandhi, committed and charismatic individuals established village-oriented community organizations throughout the country. These organizations guided, motivated, and assisted the communities in addressing their economic and social needs and most importantly, in giving a voice to the unheard. Many of these community groups emerged as organized, informal representative of the people who could challenge and confront the establishment. Subsequently, many developed into powerful and effective organizations capable of delivering social services in an effective and cost-effective manner.

A contemporary trajectory beginning in the mid nineteenth century has built upon religious and cultural traditions and created vibrant and innovative—if still somewhat limited—philanthropic landscape. While the ethos of 'giving' in India is clearly 'personal', in contrast with the institutionalized charitable giving practiced in the west, the last decade in particular has witnessed a trend towards more organized charitable giving.

Institutionalized philanthropy also gained momentum from the industrialization that gathered force from the late nineteenth century onwards. Gradually, corporate gains began to trickle towards welfare and development. Several business houses that emerged during rapid industrialization laid the foundation for a philanthropic tradition that have been followed and strengthened by succeeding generations. Notable among the pioneering efforts were the industrial houses of Tata, Birla, Godrej, Mahindra, and Bajaj. There are now some of the largest business houses in India and have been contributing to society in several ways.

Philanthropy in India today is largely dominated by large foundations that are often started by high net-worth individuals. The line between family and corporate foundations in India is blurred, as single families run most of the country's corporate sector. Thus, when these families launch foundations, they are often started with donations of corporate shares that obscures distinctions between family and corporate foundations. The individuals who start these foundations are a mix of different professions including corporate executives, entrepreneurs, and the medium sized business owners. In 2012, the top ten Indian philanthropists gave over two billion dollars, mainly by transferring business shares to set up foundations.

Among the newly and extremely wealthy in India, there is a growing trend to establish and endow foundations. These include the Azim Premji Foundation, based on wealth from WIPRO, a global Information and Technology, consulting, and outsourcing company; the Bharati Foundation, based on a fortune in telecommunications and telephony; several trusts to support sports created by Laxmi Mittal, whose wealth has come from steel industry; and the Shiv Nadar Foundation based on wealth from information technology. In many cases it is difficult to separate Indian corporate giving from family or individual philanthropy. All of these new foundations have a heavy focus on education and bridging the socio economic divide in India. The emphasis on social change is an important and distinguishing feature of contemporary Indian philanthropy, differentiating it from charitable giving in Russia and China.

As noted over the years, philanthropy in India has largely been non-secular, with even the very poor donating to religious organizations. A relatively new trend, however, has surfaced that is widening the country's scope of philanthropy. This is a secular model that rests on corporate involvement and the rise of nonprofit organizations working towards the country's development.

The expansion of philanthropy in India is largely a result of India's economic transformation since the 1990s, during which time a new generation of wealthy corporate leaders emerged. More and more business developed CSR arms in order to help alleviate diverse social development issues. In support of this, a voluntary code of corporate governance was established in 1998, called the "Desirable Corporate Governance: A code". The code is an initiative of the Confederation of Indian Industry (CII), India's largest industry and business association.

It is evident that India has a flourishing nonprofit sector with over three million active societies and organizations, the majority established after 1990. According to a 2012 study by the Indian government, nonprofit organizations in India derive 70 percent of their funding from private services. Societal trust in nonprofit organizations has room to improve, with a need for much greater transparency.

According to a 2011 report by Brain & Company, private charity makes up between 0.3 percent and 0.4 percent of India's GDP or an estimated 5 to 6 billion dollars. This is an

increase from the 0.2 percent of GDP in 2006. The 2013 edition of the report found that wealthy philanthropists in India are increasing their giving from an estimated 2.3 percent of annual household income in 2010 to 3.1 percent in 2011, with the intention to continue increasing in the future.

Engaging in philanthropic activity outside of India remains a challenge as the cost of sending money abroad is high and the process is highly regulated. Nevertheless, in India and Asia in general, younger philanthropists are demonstrating a greater interest in international philanthropy than the previous generation. A 2011 INSEAD survey of top philanthropists in the Asian region found that 15 percent of the younger generation give to international causes, compared to 10 percent of the older generation. Younger philanthropists in India and Asia as a whole, reported a greater interest in result driven philanthropy, much like younger donors in developed nations. International philanthropy was not viewed as a priority in most Asian countries, apart from Singapore and Hong Kong region of China. In India specifically, the INSEAD survey found that 93 percent of donated funds was given within Indian borders and 6 percent donated outside India.

It is not that only the private sector in India is solely engaged with aid or philanthropy. India's official Development Assistance (ODA) in 2011 amounted to 731 million dollar. Although a large portion of its aid flows to its neighbors, including Afghanistan, Bhutan, Nepal and Myanmar, it has also started to increase aid to Africa, especially for agriculture and infrastructure projects. In the 2011 India-Africa Forum Summit, Indian Prime Minister Manmohan Singh pledged 5 billion dollar loan package to Africa. Furthermore, the establishment of Development Partnership Administration in 2012, India's first development agency, the country plans to distribute 15 billion dollar over the next five years.

The 731 million dollar figure reported by OECD (Organization for Economic Cooperation and Development) comes from the Indian Ministry of Foreign Affairs. However, India does not subscribe to a strict definition of ODA, and for example, include project assistance, purchase subsidies, lines of credit, travel costs, and technical training costs incurred by the Indian Government in its calculations.

While India has had a long history of providing strictly military aid to developing countries, in the last decade it has begun a more traditional assistance program as part of its foreign policy. Over half of Indian Aid is spent on training of civil servants, engineers and public-sector managers of recipient nations. The remaining is spent on loan and project related costs. Interestingly, only a fraction of India's aid is channeled through direct cash grants.

Seldom does a country challenge the imagination the way India does. Drought and floods stalk the land at the same time, information technology and illiteracy walk hand in hand. Of the population over one billion, 75 percent live in rural areas while the rest live in highly concentrated urban conglomerates; a minority live in magnificent luxury while most dwellings lack basic necessities. Limited access to potable drinking water, rudimentary

sanitation, frequent epidemics, and the fear of national disasters are a part of the larger picture of this land. In a country where vast majorities of the rural population have little or no access to basic services – education, health, food and shelter – ‘equity’ and ‘equitable development’ are faint and elusive concepts. Yet the prospects for a prosperous, sustainable, and democratic country rest upon the ability of India to provide equitable opportunities for all citizens. While the government of India is, and will remain the major provider of basic services in the country, it is increasingly apparent that the resources and ingenuity of the private and voluntary sectors need to be brought to bear on key development and equity challenges. The concept of practice of ‘social investing’ must be swiftly and solidly established.

Although India has a long established history of philanthropic and charitable engagement, yet to date, philanthropy has not systemically address the country’s most fundamental development problems. This country of a billion people has an almost equal number of individuals, local and national challenges that require even more significant private investment and participation. Despite promising national economic growth, poverty remains entrenched in many areas and both the regional and urban/rural divides have been ignored and untouched. The architects of economic reforms have been routed for leaving rural India and poverty alleviation behind. Philanthropy has provided charitable relief to those in need, but not sought to address the underlying causes of deprivation. While many individuals, families, and the corporations give generously, many more need to become involved in philanthropy is to have a significant impact. The prevailing mindset – that government should be the sole provider of social services and needs – must be radically changed.

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