

Philanthropy in India

A Comparative Analysis of Corporate Social Responsibility and Social Impact Bonds

Arushi Dixit, Navya Sureka, Ritika Agarwal

Abstract

Given the context of Indian philanthropy, there is a need to introduce or revamp the tools towards effective donations. Through a comparative analysis between two tools i.e. CSR, a tried policy reform by the Indian government since 2014 and SIB, an outcome based payment tool which is a prevalent philanthropic policy in many developed countries, we explore solutions to increase the effectiveness of donations in India.

Introduction

Adding 100 million donors since 2009, India has a higher population contributing towards philanthropic activities as compared to similar countries. On the other hand, income inequality has been at its highest level since 1922. With such inequality on the rise, the above data is a relief as well as a reflection of the dire need for philanthropy in India, which in today's day and time cannot be overstated.

Philanthropy can roughly be defined as a charitable giving towards a social cause on a large scale. It differs from the act of donating by being a **long-term and strategic effort to increase social welfare** by providing aid through personal will. Focus of Indian philanthropy has been the '**quantum of money donated**' and '**measurement of impact**', both lacking potentially. However, The Companies Act, 2014 has added to the magnitude of donations in India.

The Indian Companies Act 2013 was amended to mandate **spending at least 2% of the average net profits under CSR** (Corporate Social Responsibility) every year by companies that earn net worth of INR 500 Cr or more. While the CSR policy in India has been widely implemented, Social Impact Bonds (or SIBs) remain nascent worldwide. An impact bond is a form of an outcome-based contract between the **public**, or a **non-profit service provider**, and **private investors** in which private individuals or firms provide upfront funding for interventions to improve specified and targeted social outcomes. Investors in SIBs can expect to receive a return on their investment once service providers meet **predetermined outcome targets**.

Both these philanthropic policies have their own structures of working. However, they primarily aim to **increase philanthropic activity in an economy**. When it comes to implementing either of the policies in the Indian economy, what works and what doesn't in the context of philanthropic trends in the nation remains a complex problem.

Literature Review

There has been extensive research on the philanthropic trends in India. While Thomas Piketty and Lucas Chance state that inequality in India has been at its highest level since 1922, in a report by Oxfam we find that India's richest 1% now hold 58% of the country's total wealth, higher than the global average of 50%.

The CAF World Giving Index Report 2016 states that **individual giving in India amounts to 0.37% of the GDP while the same in the USA is 1.44%**. India ranked 81st out of 139 in the 2017 CAF World Giving Index. However, the population donating relative to per capita GDP is high in India **compared to similar countries**.

Out of the 9,000 individuals they surveyed in 2012, 84% of the people donated money to an individual or an organisation, 70% of donors preferred to donate direct to beneficiaries and 52% of donors believed that a 'lack of transparency hinders donations to NGOs. There is an **increase in the number of donors** in India, with an addition of up to 10 Cr. donors since 2009.

Out of the donors **43% made religious donations**. The **bulk of philanthropy in India is still religious** and goes to locals and ethnic groups, **creating a paucity of resources for large scale and long-term projects**.

Previous research has thus been dominated by an **individualistic approach** wherein the reasons behind making a donation and the magnitude of the same have been determined. They have dealt with the **behavioural aspects of philanthropy** in India. This paper adds to the research by **viewing philanthropy in the light of the policies** in place to encourage, supervise and sustain philanthropy in India. The paper **incorporates these philanthropic trends in the policies of India** and studies their **influence on the implementation** of these policies, adding a new dimension to the current literature on philanthropy in India. The paper hopes to provoke **further research on whether these influences, if found negative, can be diminished**.

The study by **Samhita Foundation** is a pioneering study where CSR has been critically examined while making a **direct linkage between CSR and Philanthropy**. The report highlighted the trend of strategic CSR and examined the possible reasons behind the **popularity of education as a sector for CSR expenditure**. The study emphasised on the increasing imbalance within the funding in education, and concluded that **infrastructure on the supply side and scholarships on the demand side were the most popular CSR projects** under education.

Extending this further, this paper analyses CSR **under a broader framework**, adding to the literature by analysing CSR with respect to **parameters of efficiency** such as **participation, accountability, and incentives which are critical areas of the structure of the policy**. The drawbacks of CSR highlighted in the paper bring out the **inherent flaws in the structure of the policy**. The paper uses **CSR as a reference point to study a new policy of SIBs**. The only trace of the concept of SIBs in India is the Educate Girls DIB which concluded in July 2018 (Appendix A). The analysis on SIBs is primarily based on the worldwide literature on the models and implementation of SIBs.

This paper contributes to the literature by examining the influences of philanthropic trends in India on the efficiencies of the two policies, namely CSR and SIB. It further suggests possible models of implementation purely based on conclusions regarding the more efficient policy.

Research Methodology

This paper is purely based on **secondary data** collected from **government websites, research papers, trusted reports from organisations and news articles**, accompanied with original analyses. Keeping in mind the lack of primary data, the sources of data collected in this study are **verifiable, authentic and legitimate**. The data so collected has been **analysed through a comparative analysis exercise** to compare the efficiencies of the two policies on the basis of **5 parameters**.

Research Question: **Comparative analysis of philanthropic policies of corporate social responsibility and social impact bond in the context of Indian philanthropy.**

The relevance of the research question lies in the **dire state of philanthropy in India**. **We question the sufficiency of CSR for Indian philanthropy** and state the need for a reformed philanthropic policy.

Shortcomings of the study:

The study runs on the **assumption that a SIB will be successful in India** by virtue of the fact that the only Indian DIB, which concluded in 2018 (Appendix A) was a success in the field of education. Whether the **Indian government would be willing to take up the initial investment or set up the statutory bodies required for the implementation is highly questionable**, and is beyond the ambit of this paper.

The study **fails to provide a correlation analysis of the 5 parameters, which we aim to derive next** and analyses the efficiency of both policies through each parameter in isolation. This could lead to biased interpretations. However, due to the **lack of any documented data on SIBs in India, this remains an area for potential research in the future**. The study, while **suggesting possible models of implementation in terms of highest efficiency**, does not examine the feasibility of the same.

Theoretical Framework

Philanthropic Trends in India

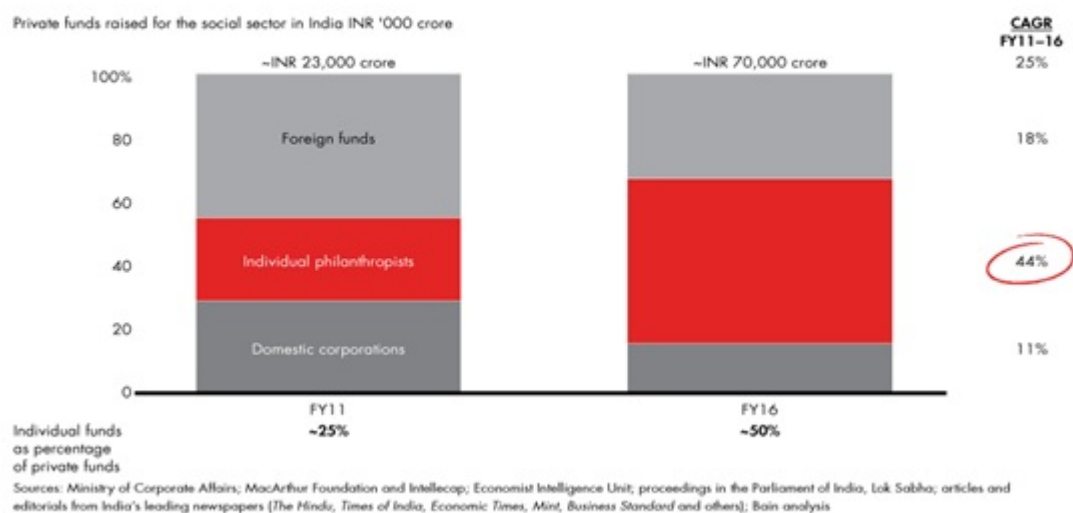
Inequality in India has been at its highest level since 1922. **Such inequality necessitates the need for philanthropic activities in India**. Religious donations constitute a huge part of philanthropic donations in India. Few donations in India support philanthropic action aimed at bringing about social transformation as only

‘gap filling’ remains their primary focus . The donors in India tend to adopt a “today forward” approach rather than the “future back” approach.

The share of corporate philanthropy in the development sector has declined [Bain & Company 2017]. On the other hand, funding from private individuals showed a six-fold increase in 2016, a large portion of this funding coming from a few givers only. Philanthropy has become more efficacious due to application of innovative approaches of the business sector, with focus on scale, efficiency and impact measurement [CAF REPORT 2012].

“Today forward” is a strategy where the individual acts according to the needs of status quo and builds into the future through current actions. The “future back” strategy involves envisioning the end goal and working backwards from it.

Figure 3: The 44% growth in individual funds is the major reason for the 50% share increase in private funds



The efficiency for a centralized governmental involvement in philanthropic activities is contentious. ‘The government has the most dominant presence in terms of service delivery and the biggest pocket of resources in India’. The private sector in India, has improved philanthropic connectivity and distribution but lacks collaboration amongst sectors, which is a weak problem if the government, private sector and non-profit bodies work inclusively in tandem.[Gates Foundation]

Corporate Social Responsibility (CSR)

The Indian Companies Act 2013 was amended to mandate **spending at least 2% of the average net profits under CSR** every year by companies that earn a net worth of INR500 cr. or more, or a turnover of INR1000 cr. or more, or a net profit of INR5 cr. or more in a given financial year.

Companies need to form a **CSR committee**, which formulates a CSR policy, according to Schedule VII of the Act and monitors the policy from time to time. The final policy

has to be approved by the Board of every company. Schedule 7 of the CSR Policy mentions activities which may be undertaken under CSR, with the list being **non-exhaustive. CSR related disclosures have to be published** in an annual report.

2015 was the first year of mandatory CSR reporting, with many CSR projects being conceptualised. In 2016, it was observed that the availability of information and governance mechanisms of CSR projects improved. **Increased spending was witnessed in the second year.**

In March, 2018, the Government has accorded permission for **initiating penal action against 199 companies for non-compliance of provisions** of the policy, although there is no proposal to review the state of implementation of the provisions of the existing Act related to Corporate Social Responsibility.

Social Impact Bonds

SIBs form an **outcome-based contract** between the public or a non-profit service provider and private investors, operating over a fixed period of time and guaranteeing a fixed rate of return only if service providers meet the predetermined outcome targets.

Social impact bonds are non-tradable variants of social policy bonds invented by Ronnie Horesh in 1988, an economist from New Zealand. The first SIB was announced in the UK in March, 2010 by the then Justice Secretary Jack Straw to finance a **prisoner rehabilitation program**.

SIBs aim to **attract private investors to invest in social service interventions that have a positive payoff, especially in cases that lack visibility in the political system**, while making integration of **philanthropy, venture capitalism, performance management and social program financing into an innovative mix** possible.

SIBs include assessing a **measurable outcome** that can benefit the target group (e.g. reducing criminal recidivism by 30%) by connecting a private investor (corporate, foundational or individual) to the service provider (NGOs etc) through the following steps:

1. Selecting a **target group** and determining the evaluation standards for projects.
2. Determining the **recipients** of funds by the government.
3. Hiring **an intermediary** by the government to identify potential private investors, negotiate the terms of the SIB amongst stakeholders, determine all objectives and returns and give legality to the contract.
4. Determining the success of the initiative through **independent evaluators** (ensuring unbiased evaluation).

If the evaluators determine that the service provider has failed to meet the previously established goals of the SIB initiative, the government will neither reimburse the investors for their prior sponsorship nor pay

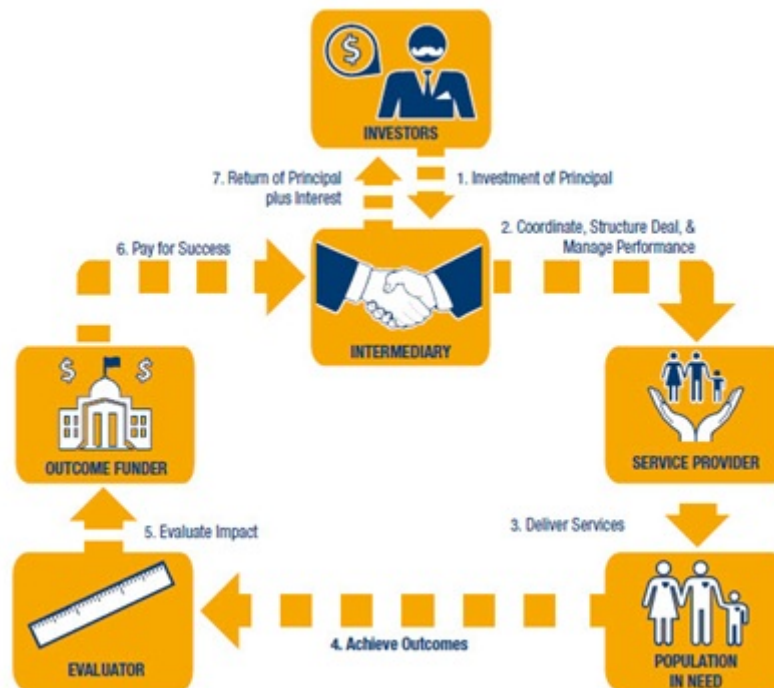


Figure 14: Source: <https://financematters.co/social-impact-bonds-five-years-on/>

any interest on the same, providing a strong incentive to the investors to ensure success of the project. If the project succeeds, the private investors are repaid by the government. The evaluators are funded directly by the government too.

There is an enormous variation possible in the structure, mechanics, and stakeholders of SIBs:

- (a) It can either be an **individual transaction focusing on a given intervention** or a **fund aiming to achieve outcomes across multiple service providers**.
- (b) Role designation in **managing the contract and performance** is flexible.
- (c) Depending on government participation, **impact bonds can take the form of a SIB, where the government is the outcome funder, or a DIB where a third party is an outcome funder**. This variation in the structure allows the introduction of SIBs into systems **not ready for large contracts between government and private partners**.

One DIB project around girl child education was underway in Rajasthan, India since 2015. Only recently in July, 2018 did the final reports of the project confirm its success. Conclusively, **we assume the feasibility of implementing SIBs in India**.

Comparative Analysis

We compare two philanthropic policies- CSR and SIB- as two alternatives by drawing a comparison between them on 5 parameters. The reasons behind selecting the parameters are:

- They comprehensively cover the involvement and impact of all stakeholders- the donors, the government, the underprivileged and the institutional arrangements through which they interact.
- All parameters hold relevance in both policies and thus become fair grounds for comparison.
- The parameters give enough flexibility of examining possible models and outcomes.
- These parameters help us to use CSR as a reference point for characterising an efficient policy and thus analyse the efficiency of SIBs in the Indian context.

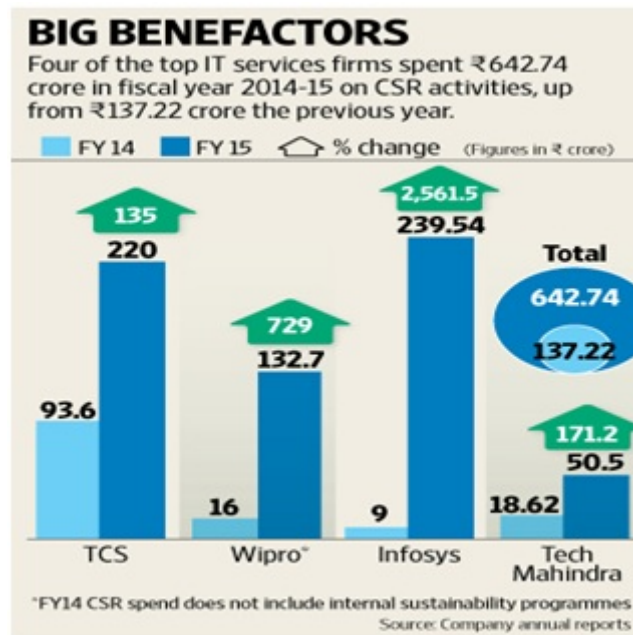
PARAMETER 1: IMPACT OF MANDATORY COMPLIANCE

- CSR:
 1. **The money spent on CSR increased by almost 5 times by the top 10 MNCs after the mandatory implementation of donation [3].**

Certain companies have spent more than the prescribed CSR budget, like Reliance, ITC, Oil India etc. Referring to Appendix B on the expenditure incurred by Reliance Industries Limited before and after the CSR mandate and also analyse the effect of policy in subsequent years, we can state that:

CSR has increased the CSR budget allocation by companies in India by a massive amount. By prescribing the budget allocation, it **has not deterred the top companies from spending above the 2% requirement**, as seen through the performance of RIL in the last 6 years. The smaller firms which have the capacity to spend 2% of profits have to comply, **thereby increasing the overall donations under CSR.** Even if the increase has been due to any other factor/parameter, **the mandatory nature of the policy has neither decreased the donations conclusively nor has it diminished the donations to a very large extent, assuming that it does.** We believe that it is too soon to draw conclusions as to whether this mandatory rule is a disincentive to these companies from spending more or less.
 2. The necessary compliance required towards donation creates a **negative outlook towards philanthropy** as an inescapable phenomenon, possibly acting as a **psychological disincentive** to donate past the dictated limit.

With no available data on the previous possibility and the difficulty to measure this impact, **it can't be concluded that the increase in the amount of donations under CSR activities was necessarily due to the mandatory nature of the policy or that the psychological**



disincentives were absent and not weak. Thus, to include all possibilities, we conclude that any mandatory policy can possibly create disincentives to donate; however, the magnitude of impact of such a disincentive remains minute and obscure.

- SIB:
- A SIB is not mandatory as it invites willing investors to participate. Thus, philanthropic nature is more prevalent as it remains a choice. **There is no psychological disincentive.**
- The existence of a choice to donate can **possibly reduce the magnitude of participation** as individuals might opt out of donating. However, **getting a return** and **accountably measuring** social impact will curb this possibility.
- The two paradigms denote the opposite effect of SIB being non-compulsive. The comprehensive impact, without actual implementation in the context of India, **remains ambiguous.** However, SIBs have an added benefit of **not providing a standard lower, sufficient limit** to the amount of donation.
- If investing in SIBs is made mandatory by the government, SIBs will provide an added benefit of a return and accountably measuring the social impact created and increase the net donations.

PARAMETER 2: EXISTENCE OF SECTOR-WISE IMBALANCES

Sector-wise imbalances refer to the imbalance in the magnitude of donations received by various sectors of societal services due to excessive contribution towards some areas of need and negligence of others. The CAF 2012 Report concluded that **70% of people surveyed out of 9,000 stated personal experiences as the number one driver for giving.** 40% philanthropists, personal interest or experience majorly determine selection of area of donation.

Most of the contribution of the Rs.10 Cr. donation [CAF report 2015-16] went to education, care of the aged and women empowerment.

- **CSR: The choice of sector is left to the discretion of private participants and the government has no role to play in any such decision. To study these imbalances in the Indian context, we study one popular and unpopular sector in India- namely, education and slum development, under the CSR policy.** On analysing data collected for these two areas under the CSR policy Appendix C), it can be stated that **both private and public units directly prefer the less politicised, more certain, and legalised area** of education over a risk-filled, unregulated and exhaustive task of working with slums. This imbalance **in the development of different sectors is a drawback of the policy** as it propagates an unequal society.
- **SIB:**
 1. An impact bond, by virtue of its model, is introduced by an authoritative body, be it the government (SIB) or any private enterprise (DIB). This implies that the **freedom to donate to the sector of an individual's or firm's choice will not necessarily exist** for one can invest/donate only in SIBs that are presently available under any sectors. Thus, if the government decides to introduce SIBs establishing projects in unpopular sectors, investors could possibly invest only in those sectors and thus personal inclination towards a specific cause will not necessarily create an imbalance. While this can gravely reduce the sector-wise imbalance, the restriction on the freedom to choose a cause to invest in can also **disincentivize people to voluntarily invest in SIBs.**
 2. By introducing SIBs in unpopular sectors, the government can **encourage donations in unpopular fields** as:
 - (a) The government **sets a** narrative to donate to those particular areas and thus provoke philanthropists.
 - (b) The establishment of SIBs addressing unpopular problems can **reduce ignorance** regarding the same.
 - (c) The involvement of the government in the project can **reduce the uncertainty and political risk associated with some sectors** as the contract assures payment on successful completion of the project.
 3. In the given pie chart, social welfare, as the largest share of all 44 SIB deals worldwide, includes a broad range of issues including adoption, and holistic support of disadvantaged young people. The likely reason that SIBs started in the area of criminal justice is that **the sector closely aligns with the SIB feasibility criteria by having clearly defined, quantifiable outcomes and a high political commitment due to large number of negative outcomes and resulting community pressure.** Thus, the sectors that can be covered under SIBs need to be restricted to those that are measurable.



PARAMETER 3: ACCOUNTABILITY AND MEASURE OF SOCIAL IMPACT

- **CSR:**
The MCA does not have a regulatory body which monitors the impact of the CSR expenditure, leaving it to the company's discretion to set up a Committee to measure and publish the results. However, a Centralised Scrutiny and Prosecution Mechanism has been set up by the MCA as of April 2018 to monitor entities' compliance with the CSR obligations. On violation of CSR provisions, under section 134 (8) of the Companies Act, 2013, the company is punishable with fine from Rs.50,000 to Rs.25,00,000; every officer of the company who is in default is punishable with imprisonment for up to 3 years or with the aforementioned fine or both. If the company fails to spend the required amount, the Board is only required to specify the reason for the same. **Comprehensively and practically, accountability is not enough.**
- **SIBs:** The primary factors that hold the investors accountable in SIBs are that
 - (a) The success of the project bears financial return to the investors if the project succeeds, incentivizing them to work more effectively.
 - (b) There is body an independent intermediary (Evaluator) evaluating impact.
- The intermediary provides the **bond facilitator /investor information from time to time** in regarding outcomes. The average period that SIBs are signed for is 3 years. However, even if the results show a lag in the initial years of the setting up the bond, the check on measuring outcomes and the **urge of the investors to meet the targets compels the organisation to keep changing tactics** to reach the target.
- The **independence of the evaluating body makes the investor and the implementing organisation more accountable.** The investors is also personally motivated to look into the execution of the project for an aspired social change through the investment, **psychologically motivating them and also allowing them to execute better management of the project under the SIB.**
- Since the outcomes need to be '**monetizable**' or quantifiable, measured

within resource constraints, they should also minimally indicate outcomes that are predictive of the life trajectory of individuals. An outcome **needs to be more specific** than a typical public policy platitude, such as ‘reduce poverty’ or ‘improve school achievement’. (Appendix D)
Therefore, we can conclude:

1. SIBs are initiated in sectors with measurable outcomes, therefore reducing the ambiguity of measurable impacts. By undertaking any of the pre defined methods of outcome measurement, it provides a fool-proof aim for investors. On the other hand, while **the government has a check and balance system for the compliance of CSR and the prevention of its misuse, it lacks in incentivising the companies to measure accurate impact of their CSR programme and expenditure.** It is difficult to introduce SIBs in most sectors of philanthropic needs because **outcomes are necessarily quantifiably and sustainably measurable.**
2. The accountability is present because of the presence of incentive **monetarily and psychologically.** The **power of the possibility of a** holds them more engaged in measuring social impact. Firms practising CSR, however, are not necessarily incentivized to measure impacts efficaciously and are under **no compliance to do so either.**
3. In SIBs the evaluators provide **unbiased evaluation.** The evaluator is **independent** and is **held responsible towards measurement of the impact of the social investment by the government and the investors.** In the CSR policy, however, the comprehensiveness of the measured impact varies from company to company, and there is no regulatory body to confirm the impact reported. The basis of measurement is by default materialistic rather than qualitative. However, although the regulatory body is independent, the possibility of corruptive practices and transactions, given the context of India, cannot be eliminated. However, this external factor exists equally in both policies in the status quo.
4. Impact bonds are said to lead to sustained impact in several ways. They provide **ademonstration effect** of the benefits of preventive services which can foster longer-term government commitment to this social challenge. The government cannot and is not willing to take risks. So, if the outcome from a SIB is achieved and the investor had used some innovative technique, the Government can rest assured of success on application of the same technique. If the government provides for a similar SIB, the investor who has previously may favourably want to invest in the project for the subsequent period. Thus the measure of social impact is more **effective and accountability exists in the long run too**, not just in ensuring short term goals. This proves to be very important in the context of India considering how short-term centric India’s philanthropic trends are. SIBs facilitate this transition.

PARAMETER 4: PRIVATE INCENTIVES

Both CSR and SIB include private enterprises as major stakeholders in their



Figure 15: Source: *Source: MCA*(<http://www.mca.gov.in/MinistryV2/csrdatasummary.html>)

structure of the policy, providing distinct incentives to them to fulfil a particular aim and behave in a particular manner. This mannerism and active involvement is directly affected by the kind of incentives each policy provides to these private players.

- CSR:

Prescribed CSR Spend in 2014-15	INR 11883 Cr
Actual Spend in 2014-15	INR 8803 Cr
Actual CSR Spend in %	74%

From the above graph and table, we see that-

1. Out of 10475 eligible companies, 7334 have reported as of 31st January 2016. Out of these reporting companies only 3139 have done some expenditure on CSR.
2. **CSR spent by the top 10 companies is 32% of the total CSR spent in FY 2014-15. (INR 2783 Crs.)**
3. **39 companies spent on CSR despite facing losses in the FY 2014-15.**

Therefore, some companies have prioritized CSR expenditure, implying the existence of incentives that push companies to go beyond the mandate. The following are the **key incentives companies receive due to the CSR Policy**:

1. **Goodwill and reputation:** Companies build an extremely strong reputation of being socially responsible due to compliance. This builds consumer bases and increases profitability through a greater market share or a loyal consumer base.

2. **Social Incentive: Companies have increasingly become sensitive** towards these causes, spending money despite the absence of any mandate, sometimes while **facing losses**.
3. **Fear of Condemnation through Prosecution:** Companies have to necessarily either spend or give proper reasons as to why they were unable to do so. Failing to meet either of the requirements or misusing the CSR funds is punishable. The public condemnation received on not meeting the CSR requirements is harmful in a public sphere, given the **increasing awareness** towards social issues in India and firms are fearful of the same
4. **CSR Awards and Allocations:** Despite lacking any mechanism to ensure impact-based outcomes of CSR expenditure other than a compulsion to report it, **many top companies have very efficient committees** working on research, evaluation, experiments and suggestions to increase the impact of the CSR expenditure. One reason for this is the **competition that now exists for the prestigious CSR Awards** that are given to companies with the best policies and the greatest impact. This serves as a huge incentive for constantly upgrading, evaluating, reviewing and increasing the CSR Spend by these companies.

A case study of RIL (Appendix E) shows how it has **spent more than the prescribed CSR budget** since April 2014 and continues to report an impact based report annually.

- SIBs: Since SIBs also include giving to the society efficiently, the first two incentives of a good reputation and social incentive that CSR activities provide are present in them too. However, the fear of condemnation can factor in only if investment in SIBs is made mandatory. Additionally, the following incentives are present in the SIB model for private players-
 1. **Return on Investment** (if the project succeeds in any SIB), providing financial incentives as a risky return is better than no return.
 2. **Measurable and Efficient Social Impact-** The social incentive becomes even stronger in SIBs for **social impact is now measurable** and the amount invested by private investors is **accounted for** by an independent body. Scale enhancement of projects can be done through pooling of investments, allowing **service providers to bring their services to a larger population**. For example, Oportunidades in Mexico and Bolsa Familia in Brazil, have catered to huge populations. In developing countries; **the fund model** may be a promising way to achieve this.
 3. **Better Methods of Innovation-** SIBs foster innovation that **governments are often unwilling or unable to do because of insufficient funding or political constraints**, which in turn incentivizes private players to participate more willingly as SIBs not only **hold other stakeholders accountable for innovation** but also provide the structural space for efficient initiatives; a bond can either adopt **an innovative approach from**

the start or provide the space to **innovate along the way**, like the **ABLE testing** carried out in the Riker's Island case in America.

PARAMETER 5: MAGNITUDE OF PARTICIPATION The magnitude of participation in a policy, assuming perfect institutional arrangements and keeping other parameters constant, is directly affected by two factors- eligibility and incentive. We have covered the latter under other parameters. Thus, **eligibility becomes the primary factor affecting the magnitude of participation under this parameter.**

- CSR:

1. **SMEs:** While micro-sized enterprises do not fall under the ambit of the CSR policy, many small and medium-sized enterprises are eligible. Classification and characteristics of Small and Medium Sized Enterprises (SMEs) (Appendix F) shows that **having greater CSR participation by SMEs is beneficial due to the monetary value, specialization in localised impediments, adaptability and access to local resources they provide.**

However, the limited use of the term CSR doesn't imply limited practise of corporate responsibility towards the society. Many SMEs have been doing things that fall under the ambit of CSR activities even if they do not know or use the specific term. In most cases, it has been found less formal and more intuitive than by larger enterprises. Due to their **large magnitude and regional spread, involving more SMEs to practise philanthropy is significant.** Indian SMEs generally resist rules and regulations around industrial development. **Due to their diversity and focus on the short term survival of the enterprise, the strict model of the CSR policy, setting financial lower limits of expenditure and establishing monitoring committees, is not suitable for SMEs.**

2. **Individuals:** CSR is set up for private enterprises and not individuals. The contribution by private individuals or group not working or registered as companies or without proper institutional arrangements is excluded and remains unmeasured. The exclusion of private individuals and micro enterprises by the CSR policy therefore limits the possibilities of larger expenditure by making the eligibility criteria to participate too strict.
- SIBs: By the virtue of the model of an impact bond, the eligibility criteria of SIBs invoke the following aspects:
 - (a) Private stakeholders within any model can **comprise of both individualistic and firm-based investors.** Thus, private investors/donors fall under the eligibility criteria, thereby increasing the reach of the philanthropic policy beyond private firms.
 - (b) There is **no required limit on the size of the firm** as well and thus SMEs are eligible to invest in SIBs too.

- (c) There is **no lower limit regarding the amount of expenditure** that is necessary in any SIB. Other than the eligibility criteria, the following factors affect the magnitude of participation in SIBs:
- (a) Although SIBs generally require large sums of money as investments and therefore might restrict the accessibility of the policy to small investors, certain models such as the Impact Bond Fund, give opportunities to smaller investors to invest. An **individualistic transaction impact bond** for one outcome payment contract means involvement of one large outcome whereas an **impact bond fund** for multiple outcome payment contracts means involvement around the same social issue with smaller claims and smaller outcomes. In the second model, a rate card is issued that establishes the payment per individual outcome. Partnerships of service providers and inter mediaries then bid for a contract at a discounted rate of the outcome payments. The outcome funder (government) selects winning bidders based on the discount on the payments and other criteria. **Through a fund, the outcome funder is able to set up many SIBs at once. This promotes participation by smaller companies and private investors, and leads to a direct rise in the magnitude of participation in the philanthropic policy.**
 - (b) One major limitation that remains in terms of the magnitude of participation in SIBs is the number and kind of SIBs that can be introduced, since being able to **quantifiably and effectively measure social impact remains a prerequisite.**

Findings and Conclusion

The **growth, potential and need** for philanthropic policies in India are vast. Individuals largely donate to causes they have a **personal inclination** towards, implying the relevance of choice of cause. Thus, the limited freedom that SIBs provide may not be conducive to philanthropic giving. However, the necessity to preserve this trend and to what extent (given the added benefits SIBs provide) is debatable. Focus lies on **short-term philanthropic goals** measurable through monetary value of donations, which is a detriment in efficient giving. SIBs focus on measuring long term impact by setting quantifiable goals and therefore can help curb this negative trend. Philanthropic connectivity and distribution has improved due to **innovative approaches of the corporate sector**. Focus on innovation can be boosted through SIBs by rightly incentivizing private enterprises along with bodies implementing the social projects. The government is a dominant apparatus in philanthropy, making collaboration with it necessary to achieve efficiency by private and non-profit bodies. Funding received by NGOs has fallen in India. SIBs can provide mass funding to NGOs by pooling and facilitating private investments. Analysis and conclusions drawn from parameters are independent of each other.

- (a) **Impact of Mandatory Compliance:**

- **CSR policy with non-compulsive SIBs** will increase the magnitude of donations necessarily as the disadvantages of voluntary participation are balanced out by a compulsory CSR policy and the advantages of return, social impact and absence of a lower limit to donations remain.
- **CSR policy with mandatory SIBs** provide incentives of SIBs while the possible disincentives in the present scenario remain. The possible net benefit is most likely positive but not as much as in the previous case.
- **CSR policy replaced by mandatory SIBs**, ceteris paribus, will have similar impacts of both mandatory policies comprehensively. However, positive incentives of SIBs will, most likely, increase the magnitude of donation.
- **CSR policy replaced by non-compulsive SIBs** will definitely provide added incentives for donating. However, the absence of any mandatory force to donate can either reduce or increase donations. If it reduces donations, whether or not this reduction outweighs the impact of added incentives remains ambiguous.

The first two models provide extended choice to the individuals/investors and probable **increase in magnitude of donations**. The other two cannot conclusively state the comprehensive impact of replacing CSR with SIBs.

- (b) **Existence of Sector-wise Imbalances: Uncertainty, lack of institutional arrangements, associated political risk and ignorance** are some primary reasons why many philanthropic sectors remain unpopular. None of these factors are largely diminished in the CSR policy; it does not prioritize inclusive growth. However, as the government is an important stakeholder in SIBs, **uncertainty and insufficient structures are diminished, awareness is created and political risk is eliminated** as the contractual return is previously determined and assured. The decision of donating to a particular sector is reserved by the government and thus **sector-wise imbalances in philanthropy can be diminished** through SIBs. However, not being able to donate to a cause one is personally inclined towards can, especially in the context of India, greatly **disincentivizes donation**. The net result remains ambiguous. Ambiguity is removed by **considering 2 possible model of SIBs**:

- **Mandatory Investment in SIBs**- If investment in the available SIBs is made mandatory, the disincentive due to lack of personal choice in selecting the sector will be removed as the choice to invest or not will be eliminated. Therefore, **sector-wise balance** will possibly be successfully achieved.
- **Non-mandatory investment in SIBs**- Voluntary investment in SIBs, where individuals and firms cannot make this choice and thus SIBs working towards projects based on these sectors do not necessarily exist, will disincentivize private donations. Therefore, enough investors will not move towards ignored sectors. However, **the added benefits** of a return, measured social impact, creation of awareness and diminished risk due to

governmental involvement will remain in this model. Therefore, **the existing CSR policy, if coupled with introduction of non-mandatory SIBs, will be better than merely having the CSR policy but less effective than coupling CSR activities with mandatory SIBs.**

(c) **Accountability and Measurement of Social Impact:**

While CSR lacks accountability and outcome-based measures, SIBs incorporate quantifiable measurement of social outcomes, thus ensuring the much needed accountability in philanthropic context of India. Measuring the impact of CSR expenditure is not incentivized while SIBs provide monetary and psychological incentives, establish an independent regulatory body to **measure outcomes and shift focus on long-term philanthropic goals**. However, SIBs are introducible only in areas where impact is measurable.

(d) **Private Incentives:**

Incentives encourage voluntary participation by the private sector, which is indisputably better than mandatory participation in a philanthropic context. **Even though CSR does not have a direct impact-based incentive, it has indirect incentives for compliance.** Incentives under CSR include social goodwill, reputation, awards and fear of condemnation, subject to influencing factors. SIBs provide, in addition to the aforementioned incentives, monetary return, efficiency and measurability of social impact and facilitation of innovation, leading to **better outcomes** for all stakeholders. **SIBs therefore provide better private incentives than CSR to private firms.**

(e) **Magnitude of Participation:**

SIBs don't require CSR restrictions, additionally including individuals, SMEs, MSMEs and smaller donations, thus pumping additional philanthropic funds by **not curbing potential donors**. However, greater inclusivity leads to **division of management** and accountability. Moreover, **the flexibility in varying possible models of an impact bond can further encourage investments** from smaller firms and individuals. Therefore, **the scope of magnitude of participation in terms of the number of participants is more in SIBs than in CSR activities, keeping other parameters constant.**

Therefore, recorded behavioural patterns of Indian philanthropists can either be incorporated into policies or be countered by them, based on policy discretion. **While CSR provides more choice, SIBs, under specific models and assumptions, theoretically trump CSR in terms of efficiency, impact-based expenditure, private incentives and magnitude of participation, along with enabling a targeted approach to reduce sector-wise imbalances. Comprehensively, a model with mandatory CSR activity and a non-mandatory SIBs is most suitable to India.**

Citations

1. Samhita. Accessed December 29, 2018. <http://www.samhita.org/>.

2. MINISTRY OF CORPORATE AFFAIRS Cong., Section-135 (Companies Act, 2013) (enacted).
3. Ramanathan, Arundhati. "IT Firms' CSR Spending Rose Nearly Five times in FY15." July 2015.
4. Charity Aid Foundation. CAF WORLD GIVING INDEX 2017. Report.
5. Hartnell, Caroline. Philanthropy in India. Wwww.psjp.org. October 22, 2017. <http://www.psjp.org/wp-content/uploads/2017/10/Philanthropy-in-India-October-2017-1.pdf>.
6. KPMG. India's CSR Reporting Survey 2017. Report. Jan,2018.
7. Maple, Terrie, and Richard Harrison. India Giving. Wwww.cafindia.org. November 2012. https://cafindia.org/images/CAF_India_launches_India_Giving_Report_2012.pdf.
8. India. Ministry of Corporate Affairs. By MCA. Feb,2018.
9. India. Ministry of Micro, Small & Medium Enterprises. Micro, Small and Medium Enterprises Development Act (MSMED). 2006.
10. Ministry of Corporate Affairs. 2015-16. <http://www.mca.gov.in/MinistryV2/csr/datasummary.html>.
11. Ministry of Housing and Urban Poverty Alleviation National Buildings Organization. Slums in India A Statistical Compendium. Report. 2015.
12. OECD. SPECIAL FOCUS: INEQUALITY IN EMERGING ECONOMIES (EES). Report.
13. "Richest 1% Own 58% of Total Wealth in India: Oxfam." <https://www.thehindu.com/business/Economy/Richest-1-own-58-of-total-wealth-in-India-Oxfam/article17044486.ece>.
14. Sahai, Chandrika. "India Philanthropy Report 2018." August 23, 2018. <https://www.bain.com/insights/india-philanthropy-report-2018/>.
15. Sheth, Arpan, Anant Bhagwati, and Srikrishnan Srinivasan. "India Philanthropy Report 2017." August 13, 2018. <https://www.bain.com/insights/india-philanthropy-report-2017/>.
16. Sheth, Arpan, Dinkar Ayilavarapu, and Anant Bhagwati. "India Philanthropy Report 2015 - Bain Report - Bain & Company." March 21, 2015. <https://www.bain.com/insights/india-philanthropy-report-2015/>.
17. UBS. Knowledge Is Power. Report. 2018.

18. Sahai, Chandrika. "India Philanthropy Report 2018." August 23, 2018.
<https://www.bain.com/insights/india-philanthropy-report-2018/>.
19. Centre for Social Impact Bonds. Knowledge Box Guidance on Developing a Social Impact Bond.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/646733/Knowledge_Box_Guidance_on_developing_a_SIB.pdf.
20. Ravi, Shamika, and Prerna Sharma. Outcome-based Financing for Development in India, April 25, 2018.
<https://www.livemint.com/Opinion/K6JpyQbyQeeBQhtCQtSaHN/Outcomebased-financing-for-development-in-India.html>.
21. "Social and Development Impact Bonds (Results-Based Financing)." UNDP. Accessed December 29, 2018.
<http://www.undp.org/content/sdfinance/en/home/solutions/socialdevelopmentimpactbondsdothtml>.
22. Drew, Roger, and Paul Clist. Evaluating Development Impact Bonds. Report