

India's rich should emulate Gates, Buffett

By Frank Islam on International Business Times: March 24, 2011

Two distinguished Americans are in India this week on a noble mission. William Gates, Jr. and Warren Buffett, the second and third richest individuals on the planet and also among its most generous, landed in the country earlier in the week to preach giving to India's super-rich.

The visits of Buffet, the chairman and CEO of Berkshire Hathaway, and Gates, the Microsoft founder, are part of their "Giving Pledge" campaign, which was launched last year to encourage the world's wealthiest individuals to donate most of their money to charities. The two have, so far, secured commitments from about 60 wealthy Americans to give away most of their fortunes to charities.

But in India, given the track record of the country's most affluent class in charity, they will have their task cut out. According to the management consulting firm Bain & Company, philanthropic donations in India account just 0.6 per cent of the country's gross domestic products. (In the United States, it is nearly four times more.)

As Arpan Sheth, a Mumbai-based partner with Bain, pointed out at the Indian Philanthropy Forum last March, the culture of charity is yet to emerge in India. He cited some basic facts to prove that point. For instance:

* The share of individual and corporate contributions form only a tenth of all philanthropy; In the United States, they account for a lion's share, 75 per cent.

* In India, the wealthiest class gives away just 1.6 per cent of household income, less than even the middle class, which donates 1.9 per cent.

Sheth identified many reasons why India's rich are unwilling to donate money to charities, including a lack of government tax credits, cultural factors and the relative unwillingness on the part of the new rich to give away large chunks of money to philanthropic causes.

However, few societies need philanthropy more than India. A country of unimaginable riches, it has also unthinkable destitution. For starters, India has the largest concentration of poor people in the world. A majority of the population cannot afford good health care or quality education. A third of the country is not literate.

If there is one defining feature of contemporary India, it is inequality. Deprivation coexists with sinful plenty across the length and breadth of the land. Nothing illustrates it better than the fact that the country's wealthiest 5 per cent controls two-fifths of its wealth.

Undoubtedly, India has the resources to provide a decent quality of life to all its citizens. It always had. The subcontinent has been a land of infinite riches through the ages. It was the fairy-tale opulence of the region that brought invaders, settlers and merchants of all ilk — the Aryans, Alexander, the Arabs, the Mongols, the Mughals and the British—to its shores over the millenniums.

Even though the European colonial rule wrecked its economy and drained much of the resources, when India became an independent nation in the middle of the last century, it still possessed unfathomable bounties.

In the late 1930s probably the richest man in the world was the then Nizam of Hyderabad, Osman Ali Khan, who was worth \$2 billion, with a daily income of \$5,000, as a 1939 Time magazine noted. The year Time ran its cover story, as a matter of fact, the combined receipts of the U.S. treasury was \$6.3 billion. (In today's dollars, Khan's 1930s' net worth would be a quarter of a trillion dollars — two and half times more than what Gates was worth at the height of the information technology boom — which would make the Nizam one of the richest individuals in history.)

Now two decades after India launched market reforms, the country has once again become the land of the supremely affluent individuals.

In the Forbes magazine's latest list of the world's billionaires, 55 are Indians. Their combined net worth: close to \$250 billion, or nearly 20 per cent of the country's GDP. India accounts for just a little over 2 per cent of the global GDP, but it is home to 5 per cent of all billionaires in the world.

Those who figured on Forbes' list include household names such as Lakshmi Mittal (\$31.1 billion), Mukesh Ambani (\$27 billion), Azim Premji, (\$16.8 billion), N.R. Narayana Murthy (\$2 billion) and Vijay Mallya (\$1.4 billion). They represent a whole gamut of India's economy, covering nearly all major sectors — information technology, infrastructure, telecom, banking and finance, steel, real estate and healthcare, to name a few.

Such collection of individual wealth should, no doubt, be celebrated, and Indians should embrace the riches of their fellow citizens gained through fair means. The various enterprises these men and women run create tens of millions of jobs in the country, contribute to the well-being of tens of millions of families and make immense contributions to the economy.

But with great riches come great responsibilities, as the two gentlemen currently in India have demonstrated over the years.

Gates and his wife have given more than \$24 billion to charities since 1994. Their Bill & Melinda Gates Foundation, one of the largest charitable groups in the world, have made real impacts in the fields of global health and development. In 2006, Buffett committed \$30 billion to the Gates Foundation, perhaps the largest ever pledge by an individual.

It is time for India's billionaires to follow the leads of these two Americans. That Gates may have done more for their country's poor than most Indians on the Forbes' list is not a good reflection on them.

However, it is not that every Indian mogul is completely oblivious to the problems of the poor. Some of them are already engaged in admirable work.

Premji, founder and chairman of Wipro Ltd., runs a \$2 billion charity. Murthy's Infosys Foundation supports education and research. Rohini Nilekani, wife of fellow Infosys billionaire Nandan Nilekani, heads an influential education foundation, Akshara. The Bharti Foundation, launched by mobile phone mogul Sunil Bharti Mittal, also promotes education of underprivileged children. Shiv Nadar, founder and chairman of software outsourcing company HCL Technologies Ltd., has pledged to donate for charities a tenth of his estimated \$4.2 billion.

But these individual efforts are exceptions, rather than norms.

Living in a society where income disparity is huge, India's rich need to fulfill their social responsibility — perhaps even more than their counterparts in the west — by working toward improving quality of life of the citizenry as a whole.

The argument here is not to create a socialist system that will dish out goodies perennially, or introduce and sustain a permanent welfare system. Far from it. The emphasis should be on supporting institutions and structures in the country that will give a helping hand to the poor, provide them with the right kind of training and tools and equip them to tackle their own problems and challenges.

India's billionaires should join hands, as Buffett and Gates have done. Again, one is not saying here that if they sit together and open their thick wallets, all of India's problem will vanish. But if these entrepreneurs, with their brilliant history of wealth creation, pool their resources and mindshare innovative solutions in areas such as poverty-reduction, public health and education won't be far behind.

*(Frank Islam, Chairman and CEO of FI Investment Group, is a columnist based in Washington, DC. He is the co-author of the book *Renewing the American Dream: A Citizens Guide*, which was released last summer. He is also a member of the advisory committee of the U.S. Export-Import Bank and the Department of Commerce Industry Trade Advisory Committee.)*