

# Corporate Social Responsibility Practice in Bhutan

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## Background

Bhutan is one of the fastest growing economies in the world. Its GDP grew from a \$167 million (M) in 1985 to approximately \$2.51 billion (B) in 2017. Annual GDP growth rate has been between 6-8 percent in the past decade, and with a per capita GDP of \$3,096, the country is expected to graduate from the Least Developed Countries (LDC) by 2021. The traditionally agrarian economy is gradually transforming with the declining share of agriculture in respect to the increasing contributions to GDP from secondary and tertiary sectors (Table 1). High economic growth has been driven largely by investment associated with hydropower development and the share of manufacturing and service industry fall below that of comparable middle-income countries (World Bank, 2017).

**Table 1:** Sector-wise share in real GDP (in %)

Year	Primary Sector	Secondary Sector	Tertiary Sector
1980	55.9	12.2	31.9
1990	44.6	23.3	32.1
2000	33.5	33.3	33.2
2010	16.8	42.8	40.4
2015	16.7	41.3	42.0

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Bhutan's private sector is small but growing fast. The number of licensed enterprises increased from 9,016 in 2000 to 42,799 in 2014 (Table 2). Rapid growth took place in all sectors and among enterprises of all sizes and types. According to a 2010 World Bank's Investment Climate Assessment (ICA) report, the median Bhutanese firm reported increases of 36 percent in sales and 25 percent in employment during 2006-2008, while large firms of 100 workers or more reported greater increases in both sales and employment (41% and 104%, respectively)<sup>1</sup>. Since then, Enterprise Surveys in 2009 and 2015 showed a decline in sales growth by over 40 percent (from 21% in 2009 to 12% in 2015), but the annual employment growth has remained the same at 13 percent per annum. Overall, firms in Bhutan exhibited considerably higher growth rates compared to other lower- and middle-income countries (World Bank, 2016).

Alongside the impressive growth in number of firms, annual sales and employment generation within private sector, notable growth in asset and profitability was apparent. For instance, between 2009 and 2015, the asset of Druk Holding and Investments Limited (DHI) grew by more than three times, from Nu 51 B to Nu 154 B. Its profits have risen from Nu 4.8 B in 2008 to Nu 10.8 B in 2015. Net profits of Bank of Bhutan (BoB) rose from Nu 185 M in 2007 to Nu 865 M in 2014, and profits of Bhutan Power Corporation (BPC) rose from Nu 455 M in 2007 to Nu 1.3 B in 2015.

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<sup>1</sup> <https://www.adb.org/sites/default/files/linked-documents/cps-bhu-2014-2018-psa.pdf>

**Table 2: Composition of the private sector<sup>1</sup>**

<b>Industrial establishments</b>	<b>2000</b>	<b>2002</b>	<b>2004</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>	<b>2012</b>	<b>2014</b>
<b>Sector</b>								
Private	8,959	13,833	15,489	24,417	27,972	32,218	37,155	42,634
Joint	23	24	15	11	14	46	27	26
Public	34	51	50	77	87	96	100	139
<b>Size</b>								
Large scale	39	44	47	72	91	114	141	177
Medium scale	43	50	43	78	128	201	240	296
Small scale	409	467	628	1,660	2,064	2,878	3,014	3,659
Cottage scale	3,313	4,277	5,624	12,920	15,359	17,815	21,210	25,156
Other (Contract)	5,212	9,050	9,212	9,775	10,431	11,352	12,677	13,511
<b>Type</b>								
Production & Manufacturing	523	586	874	1133	1389	1,777	2,240	2,823
Agro based	109	121	162	199	217	287	325	409
Forest based	288	324	368	470	574	733	954	1,269
Mineral based	42	46	66	91	144	178	236	264
Others	84	95	278	373	454	579	725	881
Contract	5,212	9,050	9,212	9,775	10,431	11,352	12,677	13,511
Services	3,281	4,272	5,468	13,597	16,253	19,231	22,365	26,465
<b>All industries</b>	<b>9,016</b>	<b>13,908</b>	<b>15554</b>	<b>24505</b>	<b>28073</b>	<b>32,360</b>	<b>37,282</b>	<b>42,799</b>

<sup>1</sup> Source: Statistical Yearbook of Bhutan, 2000-2015

At the backdrop of these impressive developments in the private sector, this paper attempts to find whether corporations, alongside the economic bottom-line, embrace social responsibilities through the lens of Corporate Social Responsibility (CSR). Being a part of the society, corporations are expected to make some social contributions, especially as they begin to reap huge profits. The first part of the paper explores the various laws and regulations governing private sector (including public corporations) with respect to their obligations to the society. Whether CSR is required by law is the main research question. The second part delves into the annual reports of the corporations available online with the objective to find out the nature and extent of their social performance.

### **Concept, practice and evolution of CSR**

In his paper 'A History of Corporate Social Responsibility: Concepts and Practices' (2008), Carroll claims that Howard R. Bowen's book *Social Responsibility of the Businessmen* (1953) marks the beginning of the modern literature on Corporate Social Responsibility (CSR), or simply Social Responsibility (SR) in the period before the rise and dominance of the corporate form of business organization. Bowen wrote that CSR or SR refers to "the obligations of the businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." Bowen gave a convincing definition which still holds today, but Carroll contends that the decade of 1950s was one of more talk than action on CSR. This was followed by a decade of momentous growth in attempts to define what CSR meant. Prominent scholars of the time included Keith Davis, William Frederick, Clarence Walton, and others. Similarly, the decade of 1970s saw a rise in the number of writers on CSR, and legislative initiatives which mandated companies to create organizational mechanisms for complying with laws dealing with the environment, product safety, employment discrimination, and worker safety. This gave way

to research on CSR and emergence of alternative or complementary concepts and themes such as corporate social responsiveness, corporate social performance, public policy, business ethics, stakeholder theory, sustainability, and corporate citizenship in the periods since 1980s. Empirical studies linking CSR to numerous variables like profitability also proliferated in the last three decades. Citing an OECD study, Carroll wrote that CSR movement has become a global phenomenon in the recent decades, and especially since 2000s. But there are important intra-regional variations in practice which need to be considered.

In UK, the history of CSR goes as far back as 200 years. UK has created a minister for CSR in March 2000 and has appointed Kim Howells as the world's first Minister of CSR (Idowa & Filho, 2009). Likewise, CSR has been recognised in legislation in France. World Bank has also declared CSR as an element of good governance (Idowa & Filho, 2009), and the race for undertaking CSR activities, publishing CSR reports, and obtaining high CSR rank has taken a toll among big corporations around the world.

Corporate social responsibility is defined in different ways, and the difficulty in defining it is well demonstrated in the extant literature (Marrewijk, 2003; Carroll, 2008). However, there is growing consensus that the need for CSR has grown from the fact that corporations and businesses, being a part of the society, has a much broader purpose than mere financial objective. Based on a content analysis of 37 definitions of CSR, which originated from 27 authors covering a time span from 1980 to 2003, Dahlsrud (2008) concluded that all definitions consistently refer to five dimensions which include environmental, social, economic, stakeholder, and voluntarism dimension. The analysis showed that there is a 97 percent probability that at least three of the dimensions are used in a random definition. The first three dimensions are different

categories of impacts from business, volunteerism dimension implies that business should perform above regularity requirements, and the stakeholder dimension indicates the need to balance between the often-conflicting interests of the stakeholders (Dahlsrub, 2008). Dahlsrub's finding does not solve the problem of ambiguity since two definitions with different composition of dimensions would be vitally distinctive.

The CSR field is not only mired with multiple and complex definitions, but also theories and approaches. Marrewijk (2003) focuses on three approaches to CSR while reviewing the historical perspectives of the field. First, the *shareholder approach* posits that the social responsibility of business is to increase its profits (Friedman, 1962), and argues that a business is concerned with CSR only to the extent that it contributes to its long-term value for the owners of the business. Then, the *stakeholder approach* indicates that business should be accountable to multiple stakeholders, not only to shareholders (Freeman, 1984). The *societal approach* argues that companies operate by public consent (with a license to operate) in order to serve constructively the needs of the society, and therefore are treated as responsible to the society beyond those who only have a stake in the business. Garriga and Melé (2004) tried to map the territory of CSR theories based on Parson's four universal aspects of a social system. Accordingly, the authors concluded that it is possible to classify the main CSR theories and related approaches into four groups: (1) instrumental theories, (2) political theories, (3) integrative theories, and (4) ethical theories. According to them, instrumental theories, similar to the shareholder approach mentioned above, considers CSR as a mere means to the end - which can be either maximisation of shareholder value, achievement of competitive advantage, and/or exploitation of cause-related marketing. In the second group, the emphasis is on the social power of the business, and identified theories of corporate constitutionalism, integrative social contract theory, and corporate citizenship under it. Arguing that business

depends upon the society for its existence, continuity and growth, the third group – integrative theories – focus on how social demands are integrated by the corporations. Theories of issues management, the principle of public responsibility, stakeholder management, and corporate social performance falls under this. The fourth group of theories view social responsibilities as ethical obligations based on the principles of normative stakeholder theory, universal rights, sustainable development, and the common good approach. Scherer and Palazzo (2011) argues that the economic approach to CSR (the instrumentalist view) - based on the economic theory of firms - is the most influential in the extant literature. This can probably explain the proliferation of empirical studies linking CSR to financial performance of the firms. However, different theories overlap each other in practice, and it will be wrong to conclude that a particular theory is most relevant or not relevant altogether.

The above conclusion largely stems from the fact that the nature of activities undertaken in the name of CSR differs largely from one business to another. This is well demonstrated in the works of Idowa and Filho (2009) where they compiled case studies of CSR in 20 different countries. The authors contend that what falls under the umbrella of CSR in one country may perhaps be of little or no significance in another.

Despite the popular support CSR has gained from governments, bilateral and multilateral development agencies, Blowfield (2005) argues that there is little understanding about their actual effect other than few case-studies and impact assessment works. There is also wide consensus on the CSR claims being left out, largely unsubstantiated or weakly substantiated (Blowfield, 2007; Newell & Frynas, 2007). Therefore, CSR claims and reports are often dismissed as “window dressing”, “greenwash”, or a “PR exercise”. For this, Frankental (2001) argues that CSR can legitimately be branded

as an invention of PR only when all the following paradoxes are properly addressed:

It [CSR] can only have real substance if it embraces all the stakeholders of a company, if it is reinforced by changes in company law relating to governance, if it is rewarded by financial markets, if its definition relates to the goals of social and ecological sustainability, if its implementation is benchmarked and audited, if it is open to public scrutiny, if the compliance mechanisms are in place, and if it is embedded across the organization horizontally and vertically.

Blowfield (2005) also pointed out that CSR agenda is apparently related to the fundamental values and tenets of capitalism. He refers to the following values:

... the right to make a profit, the universal good of free trade, the freedom of capital, the supremacy of private property, the commoditization of things including labour, the superiority of markets in determining price and value, and the privileging of companies as citizens and moral entities.

Since CSR do not have any impact upon these values, Blowfield contends that CSR further adds to their unquestioned legitimacy. Citing the impact business has over business-thinking in the field of development, Blowfield goes on to say that business management mindsets and business investors' prerogatives have significantly influenced the interpretation and practices of CSR. He also wrote that corporations have fostered changes only in areas that they are willing to negotiate over.



Similarly, Marchildon (2016), based on an empirical work in the field of bio-engineering, has argued that CSR increases corporations' involvement in shaping the definitions and solutions to our public problems and is thus based on a distribution of power and responsibility which is seen as potentially securing the power of corporations rather than off-setting it. He noted that most of the major private agricultural genetic engineering companies – which pose great threat to the earth and the people – have initiated CSR policies and programs, issues CSR reports on regular basis, and some are even ranked among the top CSR and/or sustainability leaders. Whether these kinds of phenomenon can be generalized to other big corporations is not studied sufficiently but the fact remains that businesses have the autonomy to choose what CSR activities they want to undertake. What we know about CSR's impact is essentially being told from within an established business discourse. Hence, despite the rise in popularity of CSR, it is hard to conclude whether the companies are addressing genuine priorities or simply the most financially advantageous ones (Blowfield, 2007).

In Bhutan, Lhaden's Master's thesis on *Corporate Social Responsibility of the Public Sector Entities in Bhutan* completed in 2010 is probably the only empirical study of CSR conducted so far. The study focused on business ethics, employee benefits, local community benefits, environmental concerns, and preservation and promotion of culture. It was based on a survey of employees from few public corporations. Although the study covered on many important aspects of CSR, it does not delve into the nature of activities supported under each of these areas, and the amount of contribution made each year to various social causes. Therefore, it does not sufficiently address the question of whether companies are doing enough to the society.

## **Methodology**

For the first section on legal frameworks for CSR in Bhutan, The Companies Act of Bhutan, DHI's Company Guidelines on CSR, and the BCCI's private sector development policy document were reviewed. For second section on evaluating the past and current practice of CSR among companies in Bhutan, publicly available annual reports of the companies and audited financial statements of the companies were examined.

Companies included in the review of their CSR activities are those that (i) have been in operation for at least five years, (ii) have not incurred loss for the last two consecutive years, and (iii) whose annual reports/financial statements of a minimum of last five consecutive years are publicly available.

To measure the extent of social information disclosure, Guthrie's content analysis interrogation instrument was employed in which the approach of page measurement was adopted rather than a specific number count of textual characters (Neimark, as cited in Guthrie & Parker, 1989). Each report is measured to be of A4 page, and the value is rounded to the next quarter page amount if it covers less than that. For instance, coverage within 0.01 to 0.25 of a page would be recorded as 0.25. Photographs and graphics were excluded. As cautioned by Guthrie and Parker (1989), the amount of CSR as measured by this method is not intended to be exact but to provide an indication of the trend within reasonable bounds. The actual objective of this analysis is to examine the amount of social information disclosed (or not disclosed) rather than the quality or adequacy of the information.

## **Legal framework for CSR in Bhutan or Is CSR required by law?**

### **The Companies Act of Bhutan, 2016**

The Companies Act of the Kingdom of Bhutan, 2000 is silent on social responsibility of the business (NAB, 2000). However, after 16 years, the act was revised, and the term corporate social responsibility appears right in the beginning of this new Act – in its preamble. In it, the revision was described as an act to reform the law on several things, one of it being the CSR. A new section on Code of Conduct requires companies to establish a Code of Conduct for the governance of the companies to “promote those conditions that will enable the pursuit of Gross National Happiness in accordance with Article 9, section 2 of the Constitution of the Kingdom of Bhutan.” It specified that the Code of Conduct should have policies on business ethics, auditing, risk management, good corporate governance, ownership and the human resource management, and corporate social responsibility. It was also mentioned that “companies shall maintain Corporate Social Responsibility fund, which shall be administered by the respective Company Board in line with the regulations issued by the Authority” (NAB, 2014, pp. 55).

The act is clear on the need for companies to have a code of conduct with a policy on CSR. Another provision under section 249 further states that a report of the Board of Directors shall be laid along with the annual accounts before the annual general meeting with respect to several things, including a “policy on corporate governance and Corporate Social Responsibility” (pp. 84). However, the use of word “shall” indicate that there is no legal obligation for companies to maintain a CSR fund as reflected under section 165 on Code of Conduct (pp. 55). Considering the fact that all companies

may not be in a position to contribute fund to the society throughout all years, it is appropriate not to make it mandatory for all companies to maintain a CSR fund. Instead, it would make greater meaning if a threshold that would determine whether or not companies should contribute some money to the society is specified in the Act. For instance, the Indian Companies Act, 2013, requires a company which has a net worth of Rs. 500 crores or more, or a turnover of Rs. 1000 crores or more, or net profit of Rs 50 M or more, to constitute a CSR committee, formulate a CSR policy, and contribute at least two percent of the average net profit of the preceding three financial years of the company to the society in accordance with the CSR Policy (Ministry of Corporate Affairs, 2013). The Board should provide the reason if it fails to spend such amount. It is also mentioned that the company should give preference to its local area from where it operates, for CSR activities.

### **DHI Company Guidelines on Corporate Social Responsibility 2013**

This guideline prepared by DHI is applicable to DHI and its seven fully-owned companies. DHI is the commercial arm of the Royal Government of Bhutan established upon Royal Charter in 2007 "to hold and manage the existing and future investments of the Royal Government for the long-term benefit of the people of Bhutan".<sup>1</sup> DHI has shares in 19 different companies operating in different sectors ranging from manufacturing, energy, natural resources, financial, communication, aviation, trading to real estate. Of the 19 portfolio companies, nine are fully owned, five are controlled (hold 51% of the shares or more) and five are linked (hold below

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<sup>1</sup> <http://www.dhi.bt/company-profile1.jsessionid=FEBEAFDA2FD7F294266B783940966B32>

51% of total shares). They are called DHI-Owned, DHI-Controlled, and DHI-Linked Companies, respectively.

The guideline has categorized CSR activities into three: (a) legal compliance, (b) operational, and (c) charitable contributions. By legal compliance, it emphasizes the companies' need to comply with externally imposed social and environmental standards, relevant laws and regulations. Examples cited in the guideline under this category include land reclamation and tree plantation for industrial companies. Operational CSR focuses on activities that “do not necessarily fall within the core business activities of the company, but in the long-run generate a return on investment for the company.” The guidelines include examples like initiatives to reduce consumption of energy and water, reduce waste, or manage ecosystem services such as watershed for the long-term benefit of the company. Charitable contributions can be made by the companies for the following activities:

- Philanthropic requests
- NGO causes
- Restoration and renovation of religious sites (lhakhangs, monasteries, temples, etc.)
- Sponsoring cultural or sporting events
- Donating to support schools, students, events, workshops, conferences, etc.
- Medical emergencies
- Financial support for print/publications

This category of CSR also includes non-monetary contributions in the form of in-kind donation, discounted or free service, etc. DHI's guideline requires companies under its purview to maintain annual CSR charitable contribution budget, and the maximum cash limit for the seven companies are specified in the guideline as follows:

**Table 3:** CSR Charitable donation maximum threshold as per DHI guideline

<b>Company</b>	<b>CSR charitable contribution budget allocation per year</b>
Druk Holding and Investments Ltd.	1,200,000
Druk Green Power Corporation Ltd.	1,000,000
Bhutan Power Corporation Ltd.	1,000,000
Natural Resource Development Corporation Ltd.	750,000
Druk Air Corporation Ltd.	750,000
Bhutan Telecom Ltd.	750,000
Bank of Bhutan Ltd.	750,000

DHI's guideline is the first comprehensive guideline in the field of CSR in Bhutan. As these group of companies are among the largest companies in the country, they must indeed take the lead. The seven-page document states clearly how CSR activities can be carried out by the portfolio companies. However, in retrospect, it appears that the guideline is not clear on the following points. First, the amount of charitable cash contribution that a company can make is controlled by an upper ceiling set by the guideline (Table 3). In doing so, the threshold set is an absolute amount which is fixed until further amendment. It is insensitive to growth or decline of the company, and thus ignores the highly dynamic nature of business environment. For instance, threshold of Nu. 750,000 set for NRDC is 1.44 percent relative to PAT in 2012, 2.43 percent in 2013, and 13.67 percent in 2014. As profits decreased, NRDC had to allocate an increasing proportion of their profits to charitable donation. On the contrary, fixed amount of donation every year would mean a decreasing share of profit to donation for a flourishing company. So, fixed unit of measure has inherent problems.

Related to this issue, it is also important to question how did the guideline arrive to this threshold. Some attention to the respective companies' PAT must have been paid. If so, it must

have been either based on the profits of 2012 or 2013<sup>2</sup>. Table 4 shows the donation threshold as a percent of the 2012 and 2013 profit. But, it then provides an impression that the threshold is not based on profitability. The rates are starkly different from one company to another and most of them are less than 0.5 percent, and even less than 0.05 percent for two companies. Only one of them have rates more than one percent. The maximum threshold (which should in fact be set very high) is therefore very low if it is compared to rates specified by the Indian Companies Act (2%), BNB (1%)<sup>3</sup>, or other international findings (discussed later). More importantly, it appears that the threshold has been set without any legitimate basis. A minimum absolute threshold would have made greater sense in that respect. At best, any threshold must be a relative unit.

**Table 4:** *Thresholds as percentage of PAT*

	<b>% of PAT (2012)</b>	<b>% of PAT (2013)</b>	<b>% of PAT (2014)</b>
DHI	0.04%	0.04%	0.03%
DGPC	0.02%	0.02%	0.02%
BPC	0.11%	0.10%	0.10%
NRDC	1.44%	2.43%	13.67%
Drukair	0.60%	0.35%	-
BT	0.13%	0.17%	0.16%
BoB	0.11%	0.11%	0.09%

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<sup>2</sup> Figures for 2014 has been taken for comparative purpose

<sup>3</sup> As per the BNB's Corporate Social Responsibility Policy introduced in 2016, the company must allocate 0.90 percent of the profit after tax of the previous year as CSR budget and 0.10 percent for small donations.

## **BCCI's Framework for Private Sector**

The Bhutan Chamber of Commerce and Industry (BCCI), which is the apex private sector institution in Bhutan, has outlined in a policy document titled *Private Sector Development - The Way Forward* (2007) that private sector enterprises have an obligation to mainstream CSR standards by considering the interests of customers, employees, shareholders, communities, and the natural environment in all aspects of their operations. Like the Companies Act of the Kingdom of Bhutan, 2016, the document identifies codes of conduct as the main tool for mainstreaming CSR, and BCCI as the lead organization to mainstream CSR and promote its values throughout the private sector. It also mentioned that CSR should not be restricted to large companies and corporate governance but also include smaller enterprises and individual proprietors (BCCI, 2007, pp. 13-14). However, the document has no legal binding and the choice to carry out social responsibilities is left to individual company. Moreover, subsequent series of this policy document in 2014 and 2016 did not mention a word about CSR.

## **CSR Practice among Bhutanese Companies**

### **CSR Information Disclosure**

The first part of this section focuses on how companies have reported CSR in their annual reports regardless of the amount of their contribution. In doing so, it was found that an overwhelming majority of the companies under review have devoted certain space to CSR in their annual reports. The nature of reporting however differs from one company to another both in terms of quantity as well as the style of reporting. Some of them have gone to great length to discuss the objectives and the nature of activities undertaken under CSR (which will be discussed in the second part).



Four out of 15 corporations have reported CSR in all their annual reports reviewed (Table 5). But, the quantity of pages devoted to it differs from one corporation to another, and is not consistent over the years even for the same corporation. Most notable among them is BNB in 2016 where CSR covered 7.5 pages out of its 158-paged annual report. This coincides with the BNB's launch of a Corporate Social Responsibility Policy in 2016. On average, NRDC reported the highest social information disclosure as a percent of the total pages, followed by Druk PNB, BNB, BoB, BPC, STCB, etc.<sup>4</sup> On the other hand, two out of 15 corporations have not reported about CSR in all their annual reports examined so far.

**Table 5: CSR reporting in annual reports**

Company	In how many annual reports was CSR mentioned?	Number of pages dedicated to CSR reporting (fraction of a page)		Average CSR coverage as % of the total pages
		Minimum	Maximum	
<b>DHI-owned companies</b>				
<i>DHI</i>	6/9	0	1.50	0.56%
<i>DGPC</i>	9/9	0.25	0.75	0.65%
<i>Bhutan Power Corp.</i>	7/10	0	1.75	0.73%
<i>Bhutan Telecom</i>	8/8	0.25	0.75	0.53%
<i>Drukair Corp.</i>	1/4	0	0.50	0.15%
<i>NRDC</i>	5/5	0.75	1.25	1.60%
<i>Construction Dev. Corp.</i>	2/6	0	0.75	0.36%
<b>DHI-controlled companies</b>				
<i>BoB</i>	6/6	0.25	1.5	0.97%
<i>STCB</i>	3/5	0	1.25	0.70%
<b>DHI-linked companies</b>				
<i>BNBL</i>	5/8	0	7.5	0.99%
<b>Other public companies</b>				
<i>Druk PNB</i>	6/7	0	0.5	1.00%

<sup>4</sup> The figure will be also affected by the total number of pages.

As annual reports have to cover many aspects of the corporation's performance, whether CSR information of one percent or less of the total pages is a reasonable amount or not is a difficult question. There is no such standard. The focus here is therefore on examining the trend in social information disclosure over time across different organisations. For this purpose, five companies whose annual reports for all eight years were publicly available are chosen. As shown in Table 6 only two of the five companies have reported about their CSR activities in all their annual reports from 2010-2017. CSR information mostly covered about a quarter of a page for these two companies. For the last three years, DHI devoted more than one page to CSR that constitutes about one percent of the total pages of their annual reports, but the trend is sporadic. It covered on CSR a quarter of a page in 2010 but did not mention anything about it for three years since then, from 2011 to 2013. This is true for BPC and BNB.

**Table 6:** CSR information disclosure among five companies, 2010-2017

	DHI		DGPC		BPC		BT		BNB	
	n	%	n	%	n	%	n	%	n	%
2010	0.25	0.47	0.25	0.58	0.5	1.39	0.25	0.47	0.5	1.04
2011	-	-	0.25	0.66	0.5	0.98	0.75	1.50	0.5	1.02
2012	-	-	0.5	1.11	0.5	0.86	0.25	0.53	0.5	0.96
2013	-	-	0.25	0.39	0.25	0.31	0.25	0.33	-	-
2014	0.5	0.57	0.25	0.39	-	-	0.25	0.44	-	-
2015	1.5	1.07	0.25	0.37	-	-	0.25	0.39	0.25	0.19
2016	1.5	1.43	0.5	0.68	1.75	2.06	0.25	0.30	-	-
2017	1.25	0.99	0.25	0.29	0.5	0.48	0.25	0.31	7.5	4.75

This finding is an indication that there is a limited focus on reporting CSR information in the annual reports of the companies in general. Among other reasons, this may partly be attributed to a lack of dedicated and sufficient attention to CSR within the companies.

## **Beneficiaries of CSR**

The second part of this section examines the nature of activities undertaken by Bhutanese corporations in the name of CSR. This is based purely on information provided in the annual reports. What is however lacking is a comprehensive list of CSR activities in all the annual reports reviewed. For instance, donations were made to certain NGOs but no mention of the beneficiaries or programs were reported. In many cases, not even the name of the receiving entities was mentioned. Therefore, the following conclusions are drawn based on activities that were only explicitly reported (assuming that they are the key activities, which is in fact likely). Activities are grouped into different areas. This approach suffers from two major drawbacks: (1) since a lot of information is missing (as mentioned earlier), the findings are only indicative, and (2) classifying CSR activities under different categories is problematic as categories are not mutually exclusive.

Out of 12 beneficiaries of CSR reported by DHI in 2017, six of them are related to religious causes. This indicates a high proportion of contribution to religious causes which remains true even in case of individual donations. Contributions are mostly made for construction, renovation, and/or restoration of religious establishments. Companies have offered financial support during important religious events and religious projects which rely on donations as the primary source of funding.

**Table 7:** *Contribution to religious causes*

<b>Company</b>	<b>Year</b>	<b>Activity</b>
DHI	2015	<ol style="list-style-type: none"><li>1. Supported Jigten Wangchuk Tshogpa in conducting the 3-day ceremony of Zhabdrung Kuchoe in Punakha</li><li>2. Contributed for the construction of Ney-khang at Ngangla</li></ol>

<b>Company</b>	<b>Year</b>	<b>Activity</b>
	2016	<ol style="list-style-type: none"> <li>1. Donated to Pel Chitok Phuentsho Rabtenling Shedra for Chitokha lhakhang renovation, Wangdue</li> <li>2. Supported Padling Choeki Ga Tshal to conduct the yar-ngo mar-ngo tsechu and choe-shey program in Thimphu</li> </ol>
	2017	<ol style="list-style-type: none"> <li>1. DHI with DoCs including BoB jointly contributed Nu.4.1 m to offer Ku-Sung-Thuk Mendrel at Kuensel Phodrang which was recited by HH The Je Khenpo</li> <li>2. Contributed for Dhuduling monastery for construction of Gura Statue</li> <li>3. Contributed to Chokorling monastery to consecrate Thongdrel</li> <li>4. Contributed to Hindu Dharma Samudaya</li> <li>5. Contributed to Tango University for painting of monastery wall</li> <li>6. Contributed to Wangchang gewog, Paro for Kanjur recitation</li> </ol>
BoB	2012	<ol style="list-style-type: none"> <li>1. Contributed to Wangdue Rabdhey and Wangdue Dzongkhag</li> <li>2. Contributed to Sherubtse students for thongdrol embroidery</li> <li>3. Contributed to religious book printing</li> </ol>
	2015	<ol style="list-style-type: none"> <li>1. Employees volunteered in construction of Rangshikhar Goenpa in Trashigang</li> </ol>
	2017	<ol style="list-style-type: none"> <li>1. Offered financial support to offer Ku-Sung Thug Ghi Mendrel to HH the Je Khenpo during Oral transmission of Kanjur at Kuenselphodrang.</li> </ol>
BNB	2011	<ol style="list-style-type: none"> <li>1. Donated Nu.50,000 for construction of Thongdrel at Rinpong Dzong</li> </ol>
	2017	<ol style="list-style-type: none"> <li>1. Sponsored meals/offering worth Nu.400,000 for Kangyur Oral Transmission at Kuensel Phodrang.</li> </ol>
	2016 - 2017	<ol style="list-style-type: none"> <li>1. Donated Nu. 6,138,000 to Bhutan Nuns Foundation for the construction of a library block at Tshalumphay Training and Research Centre, Thimphu. The project was funded in two equal installments of Nu.3.069 m each in 2016 and 2017</li> </ol>

<b>Company</b>	<b>Year</b>	<b>Activity</b>
STCBL	2015	1. Donated Nu. 50,000 for Jigten Wangchuk Dungdrup which was organized by the Jigten Wangchuk Tshogpa at Punakha
	2016	1. Donated an E-bike to Jigten Wangchuk Tshogpa for the purpose of carrying out events and daily works of Tshogpa's office
BPC	2011	1. Initiated the water supply to Dongkola Monastery under Paro Dzongkhag
	2016	1. Trained 130 monks and 2 nuns on house wiring, repair and maintenance and safety measures pertaining to electricity

Under social causes, companies have contributed in different ways. BT's major focus on CSR in its annual report is the connection of remote villages to mobile network where the return of investment is very low (it would be even negative) considering the high operating cost (for instance, USD 3,585 per month on satellite link alone for Lunana).<sup>5</sup> Likewise, BPC considered rural electrification (RE) project as a crucial CSR towards achieving the goal of Electricity for All. It also undertakes "RE-fill in" program to electrify the left out or newly built houses in the already electrified rural areas through its own funding and initiative. Such initiatives have brought immense benefit to the society, albeit with government's backing. The cost of these initiatives is not shown under CSR in the financial reports since the nature of activities involved are not distinctive from the normal operation. Companies are also engaged in other direct contribution to the society in the form of donation, both cash and kind, to the poor, elderly and

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<sup>5</sup> It received subsidy from the Universal Service Fund administered by the government for the capital works.

the youth (Table 8). Contribution to health-related areas are also clubbed here.

**Table 8:** *Contribution to social causes*

<b>Company</b>	<b>Year</b>	<b>Causes supported</b>
DHI	2015	<ol style="list-style-type: none"> <li>1. Donated to support the old age homes at Begana, Thimphu</li> <li>2. Supported the Taktse community to construct a house for a destitute family at Kumiding village, initiated by the ILCS</li> </ol>
BoB	2012	<ol style="list-style-type: none"> <li>1. Initiated a drive for "Help shoe Bhutan" which collected more than 1000 pairs of shoes and 128 cartons of toys, clothes, books, etc., then refurbished and distributed to needy individuals by the Bhutan Dragon Motorcycle group.</li> </ol>
	2014	<ol style="list-style-type: none"> <li>1. Provided 25 elderly people residing at Begana Lhakhang with rice, cooking oil, blankets, jackets, gho and kira</li> <li>2. Supported Thimphu Thromde's initiative to reduce stray dog population for safer community through mass sterilization and vaccination campaigns</li> </ol>
	2015	<ol style="list-style-type: none"> <li>1. Supported the Badum project initiated by YDF</li> </ol>
BNB	2011	<ol style="list-style-type: none"> <li>1. Donated Nu.50,000 for Human Wildlife Conflict Mangement Endowment Fund</li> <li>2. Donated Nu. 250,000 for medical treatment</li> </ol>
	2012	<ol style="list-style-type: none"> <li>1. Donated Nu. 230,000 for medical treatment</li> <li>2. Donated Nu. 50,000 to Ability Bhutan Society for disabled children</li> </ol>
	2015	<ol style="list-style-type: none"> <li>1. Employees contributed labour for the Tshalumphey Project, Thimphu</li> </ol>
	2017	<ol style="list-style-type: none"> <li>1. Donated Nu. 2,250,000 to Tarayana Foundation for the construction of 30 houses in Jurme Gewog, Mongar.</li> </ol>
BPC	2017	<ol style="list-style-type: none"> <li>1. Donated Nu.350,000 to Tarayana Foundation for construction of 10 houses for needy people</li> </ol>
BT	2010-2012	<ol style="list-style-type: none"> <li>1. Provided free bulk SMS for social messages like education and blood donations</li> </ol>
	2013	<ol style="list-style-type: none"> <li>1. Donated to RENEW and Tarayana Foundation</li> </ol>

<b>Company</b>	<b>Year</b>	<b>Causes supported</b>
NRDCL	2013-2017	1. Supplied firewood to the cremation ground free of cost through the People's Project as a contribution to social welfare: worth Nu 289,957 in 2017, Nu 425,959 in 2016, Nu 343,515 in 2015, Nu 405,118 in 2014, and Nu 335,793 in 2013
	2016	1. Constructed bailey bridge at Rodungla in Tang, Bumthang at a cost of Nu11.396 M
STCB	2015	1. Trained 13 farmers on the use of mini power tillers at Kolkata
	2016	1. Donated Nu 400,000 to Non-Communicable Diseases Prevention & Control Program 2. Donated 5 numbers of Walton television to JDWNRH for general wards and general service points
	2017	1. Adopted Larsarp village, a cut-off and economically underprivileged community consisting of 15 households in Chhukha Dzongkhag (will provide with modest houses within the first phase of 3 years - costing around Nu 1.5 M; provide mattresses for the boarders and school uniforms for all the students, toilets and bathrooms in the schools) 2. Donated three desktops and one printer worth of Nu 122,000 to Tarayana Foundation

For the welfare of the society, companies are also significant contributors to the Bhutan Health Trust Fund (Table 9) and to the blood bank (Table 10). Several rounds of Move for Health programmes have been organized by Bhutan Health Trust Fund to mobilise fund to buy essential drugs and vaccines. This is to sustain the constitutional mandate of providing free primary health care for all.

**Table 9: Contribution to Bhutan Health Trust Fund**

Company	Year	Amount (Nu in M)
DHI	2014	0.3
DHI and companies	2016	6.2
BT	2013	0.1
	2016	1.2
STCB	2015	0.05
Druk PNB	2014	Amount not mentioned
NRDC	2013-2014	Amount not mentioned

**Table 10: Companies involved in blood donation**

Sl	Company	Donated in
1	DHI	2016
2	BPC	2009-2012, 2016
3	BoB	2012-present <sup>6</sup>
4	CDC	2016
5	Druk PNB	2011

Towards youth and education, companies have contributed to education and literary events, publication and distribution of books to schools, scholarships to children from underprivileged family, skill training and development, sport events, school initiatives, and building of recreation and entertainment infrastructure in the community.

**Table 11: Contribution to education and youth**

Company	Year	Activity
DHI	2014	Supported the establishment of DHI Companies Research Resource Center in Gaeddu College to enhance industry-academia collaboration.
	2015	Rendered financial support to "6th Golden Youth Award" organized by YDF and to the "Mountain Echoes Festival"
		Donated library books to Ministry of Education for distribution in schools

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<sup>6</sup> BOB organizes blood donation camp every year since 2012 coinciding with the World Blood Donors Day on 14<sup>th</sup> June



<b>Company</b>	<b>Year</b>	<b>Activity</b>
		Supported Tarayana Foundation in its projects to help the vulnerable youths and rural community
		Supported the 6th edition of the Mountain Echoes
	2016	Contributed to Royal Thimphu College to participate in the International Business Model Competition in the US
		Donated the book LOMBA to MoE for distribution in schools
		Supported Rinchen Kuenphen Pry School and Lungtenphy Lower Secondary School to buy prizes for the academic toppers
	2017	Donated to YDF to support the project titled "My Gakidt Village"
		Contributed to YDF to organize the 10th Golden Youth Award Camp
		Contributed to RTC to host Mekong Business Challenge
		Funded Gokab Vol. 3 to promote talents among youth
	BoB	2012
2016		Made contribution to the Draktsho Vocational Training Centre for Special Children and Youth every year.
DGPC	2009	Provided partial sholarships to students
		Established Early Learning Centers at some of the plants which accepts children in the locality even if their parents are not employees of the plants
	2015	Provided school bus facilities, and access to its ECCD centers for community members
	2016	Employees supported a number of underprivileged children through schools
BT	2011	Provided broadband modem and data cards to the students and the faculty members of colleges at sustantial discounts
	2013	Donated to Dechenphodrang Shedra and Sherubtse college
	2015	Spent Nu.3.4 m to purchase and provide network equipment to the Royal Acedemy in Paro
Druk PNB	2015	Sponsored the "Declamation Competition" among college students of Bhutan organized by the Nehru Wangchuck Cultural Center
	2016	Provided financial support to Bhutan Youth Development Fund

Company	Year	Activity
CDCL	2017	Organized trainings and workshop on various arts of construction and operation of construction machineries
		Conducted 3rd Batch Heavy Machines Operators Training at Hesothangka and 4th Batch Operator's Training at Lingmithang.
STCB	2015	Donated 19 Kent water filter for four schools in Phuntsholing

**Table 12: Contribution to sport events**

Company	Year	Sport events <sup>7</sup>
DHI	2015	Contributed Nu.2.5 M for the construction of "Recreational Park" at Dochula
	2016	Contributed to the 2 <sup>nd</sup> International Taekwondo Championship and 1 <sup>st</sup> International Poomsae championships held from 20-22 May
	2017	Contributed to the Team Happy to organize futsal league Contributed to College of Natural Resources for their annual sports
DGPC	2009	Sponsored Druk Wangyal archery tournament on traditional bows.
BPC	2009	Contributed to Bhutan Archery Federation's tournaments.
BoB	2015	37 employees including the CEO participated in the construction of the multipurpose biking trail from Kuenselphodrang to Motithang Employees participated in the fund-raising fun ride biking (Thimphu-Paro-Thimphu) event for Draktsho
CDCL	2016	Employees contributed a day in construction of the biking trail in Thimphu
Druk PNB	2012-2014-	Sponsored India House golf tournament Sponsored Danktak Open Mountain Bike Race
BT	2010	Built a basketball court for youth in P/ling
STCB	2015	Donated 20,000 for inter school volleyball tournament in P/ling
	2016	Donated Nu.35,000 to Phuentsholing City FC
	2017	Donated Nu.50,000 to National Volleyball Championship organized by Bhutan Volleyball Federation and Woezer Events.

<sup>7</sup> Some of the events are jointly sponsored with other corporations.

Contribution for important national events is one core area of CSR in Bhutan. Many companies under review have contributed for the celebration of His Majesty the Fourth King's 60<sup>th</sup> Birth Anniversary in 2015, and the Birth of His Royal Highness the Gyalsey in 2017. Companies have contributed in various forms as shown in Table 13. Companies also supports other celebrations such as the National Day,<sup>8</sup> Birthday and Coronation Day of His Majesty the King,<sup>9</sup> Royal Highlander Festival,<sup>10</sup> Social Forestry Day,<sup>11</sup> etc.

**Table 13:** *Contributions during national celebrations*

<b>Celebration</b>	<b>Year</b>	<b>Company</b>	<b>Activity</b>	<b>Nu in M</b>
Birth of HRH the Gyalsey Jigme Namgyal Wnagchuck	2017	BPC	Construction of a chorten at Thrumsingla	10
	2016	BPC	Tree plantation in Sarpang and Jungzhina, Thimphu	0.515
	2016	STCB	Planting 1,000 saplings	0.300
	2016	DGPC	Planted thousands of trees and contributed funds to plant trees throughout the country.	

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<sup>8</sup> In 2016, DHI donated micro tiller as a prize for the national day celebration on 17th December 2016 at Changlimithang. In the same year, BPC installed LED lighting of Trongsa to commemorate the 109th National Day Celebration

<sup>9</sup> In 2016, BoB employees volunteered in Cleaning Campaign with the theme "Keep Thimphu Clean and Beautiful" to mark the Coronation of His Majesty the King

<sup>10</sup> In 2016, DHI contributed to the Royal Highlander Festival held at Laya, Gasa.

<sup>11</sup> BoB has contributed by funding saplings and tree guards to Phuentsholing Middle Secondary School and Phuentsholing Higher Secondary School and the Thromde coinciding the Social Forestry Day in 2013

<b>Celebration</b>	<b>Year</b>	<b>Company</b>	<b>Activity</b>	<b>Nu in M</b>
	2016	BoB	Offered butter lamps and distributed sweets to all branches for further distribution to the clients.	
60 <sup>th</sup> Birth Anniversary of the Fourth King	2015	DHI	Money was handed to the Celebration Committee	2.5
	2014	DHI and its companies	Establishment of Plastic to Oil project, recreational park, and support other commemorative activities	80
	2015	Druk Air	Served cake and distributed custom-made gifts on every flight of the day	na
	2015	Druk PNB	Participated in cultural events organized by PICSA, BCCI, Hindu Dharma	na
	2015	BT	Activities not mentioned	6
	2014	BT	Activities not mentioned	2
	2015	DGPC	Specific activities not mentioned	na
	2015	STCB	Funded the Annual Gold Meet for golfers from Bhutan and Kolkata organized by the Royal Bhutan Consulate Office in Kolkata	0.1
Royal Wedding	2011	Druk PNB	Organized two cleaning campaigns in Thimphu city with Thromde	na

Similar to this is the contributions that companies make during times of natural calamities. Among others, earthquake and fire have caused major damages to properties in Bhutan, although the scale of damage is low compared to other countries.

**Table 14:** *Contribution during times of natural calamities*

<b>Company</b>	<b>Year</b>	<b>Activities</b>
DHI	2009	Contributed to the Kidu Fund which was set up to help the earthquake victims of eastern Bhutan
	2015	Donated for reconstruction of Galing Sanga Choling Monastery, Nepal. The monastery was damaged by the earthquake in 2015.
		Employees made voluntary contributions towards Nepal Earth Quake Relief Fund
DGPC	2009	Supported the relief and reconstruction of the earthquake hit areas of eastern Bhutan including contribution to HM's Kidu Fund
	2012	Contributed over Nu.1.5 m for the reconstruction of the Wangdue Dzong
	2015	Contributed towards Nepal Earthquake Relief Fund
BPC	2009	Contributed to the victims of the earthquake which hit parts of Eastern Bhutan. It also undertook internal electrification of lhakhangs and some villages which were affected by the earthquake
BNB	2010	Donated to His Majesty's Kidu Fund for Bumthang Fire victims
	2012	Donated Nu.500,000 to His Majesty Kidu for Wangduephodrang Dzong Reconstruction
STCBL	2015	Donated 120 pieces CGI sheet to Palden Tashi Chholing Shedra, P/ling for re-roofing shedra hostel that was unfortunatelu wrecked by windstorm
Druk PNB	2012	Donated Nu.500,001 to Wangdue Phodrang reconstruction.

Tree plantation programs and cleaning campaigns are two most common activities companies have carried out under environment domain. Even banks are engaged in it although they do not pose any direct threat to environment. They must have been rather influenced by the larger national goals of environmental protection. On a large scale of environmental protection, NRDC initiated the Green Compensatory Plantation Program (GCPP) with the support of DHI in 2017 with four DHI-

owned companies to carry out “afforestation in blank areas, reforestation in degraded/deforested areas, habitation of fire burnt and pest/disease affected areas, [and] protection of watershed areas” (NRDCL, 2017). Breakdown by contribution along with the location and area of plantation are shown in Table 15.

**Table 15:** *Contribution to GCPP*

<b>Company name</b>	<b>Fund support (Nu. in m)</b>	<b>Location</b>	<b>Area (ha)</b>
Bank of Bhutan Ltd	0.745	Sangaygang, Thimphu	4
Bhutan Power Corporation Ltd.	0.748	Chendejji, Trongsa	4
Druk Green Power Corporation Ltd.	1.623	Gelephu, Sarpang	8
Bhutan Telecom Ltd.	0.953	Langjophakha, Thimphu	6
Total	4.069		22

**Source:** Annual report of NRDC, 2017

A significant number of initiatives on environment can be seen as initiatives undertaken to correct the negative externalities – the spillover costs to the environment as a result of production of their goods and services (Table 16). Not reflected in the table includes under this category NRDC’s afforestation and reforestation programme worth Nu. 5.684 m in 2013, Nu. 6.196 m in 2014, Nu. 7.112 m in 2015, and Nu. 10.215 m in 2016, and BPC’s initiative to plant twice the number of trees cut to obtain the Right-of-Way for new transmission and distribution lines from 2009.

**Table 16:** *Contribution towards environment*

<b>Year</b>	<b>Company</b>	<b>Events</b>
2016	CDCL	3 months Samtengang lake cleaning campaign
2016	STCB	Mitigation works along Dotikhola and Toorsa River
2009	DGPC	Contributes annually towards rehabilitation of the Wangchhu Catchment
2012	DGPC	Began “Being Green Initiative” to ensure the preservation and maintenance of the catchments areas of the rivers that feeds its generating stations
2012	DGPC	Adopted e-subscription of newspapers and magazines; segregation of wastes for recycling; cleaning of the Chubachhu stream in Thimphu by the employees once every month; and publication and broadcast of advocacy messages in media on catchment area protection and waste management.
2013	NRDC	Established a sawdust briquetting plant <sup>12</sup>
2015	NRDC	Construction of gabion walls at Tshokana sand quarry site (Nu.1.630m) and Paithakhpla river boulder collection site (Nu.0.726 m); Supplied 3,000 numbers of seedlings for Samarzingkha plantation
2016	NRDC	Carried out flood mitigation works along the Amochu river (Nu.287,310) and Paitheykhola (Nu.170,000)

Drawing upon the list of CSR activities that companies are engaged in, it can be concluded that companies play a significant role in areas where government has limited intervention. For instance, to uplift the lives of the elderly, poor, and disabled in a society, NGOs and civil societies are more prominent in taking up direct interventions. Companies are key contributors to these programs. Likewise, government cannot solely fund big socio-cultural events. To fill this gap,

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<sup>12</sup> Although they sell the briquettes, the plant was described as a non-profit initiative, as part of its CSR (NRDCL, 2017). It sold 266,580 kg in 2016.

companies are regular sponsors of religious, literary, social and cultural events. They are equally active during times of national celebrations, and outbreak of untimed natural calamities which affect the lives and properties of many people.

However, one major theme that emerges from the evaluation of annual reports is the lack of consistency in the practice (or maybe reporting, or both) of CSR—particularly, the nature of activities they are involved in. For instance, it is not consistently mentioned and hence unknown whether “BOB Needs based Scholarship” program provides scholarship every year. There is mention that BoB contributes to Draktsho Vocation Training Centre for Special Children and Youth every year in the 2016 annual report but no reporting on it was done in the previous and subsequent annual reports. Secondly, it is not clear how contributions are distributed across different regions of the country. This can be achieved if donations can be made by the branch offices too, but this is not clear from the publicly available information. Gauging from the current distribution of activities reported, it appears that CSR contribution are made only through the headquarters. Thirdly, because of unpegged activity-to-budget reporting, real implication of CSR activities cannot be judged. All these reveals subtly a lack of proper guideline on CSR within the companies under review. It is hard to make any generalizations about the beneficiaries of CSR for an individual company as well as the companies in general because the nature of activities differ widely from one entity to another, and from year to year.

### **Corporate philanthropy**

Corporate philanthropy or charitable donation (or simply donation as referred to in this study) constitute the dominant practice of CSR. In that regard, enquiry into the size of corporate donations as a percent of the net profit as well as the trend in corporate giving over the years is a crucial indicator to understand social responsibility of corporations in Bhutan. The specific indicator used for this purpose is the ratio of cash



donation to net profit after tax (PAT).<sup>13</sup> This was termed as “generosity” by Campbell, Moore, & Metzger (2002). The net profit of the previous year has been taken, and for two reasons: (1) good practice in some companies entails creation of a CSR fund at the end of each year by allocating a certain portion of the net profit which can be used in the course of the following year; (2) any attempt to fix a threshold for corporate donation must necessarily be based on previous year’s profit since the current year’s profit is computed only at the end of the year.

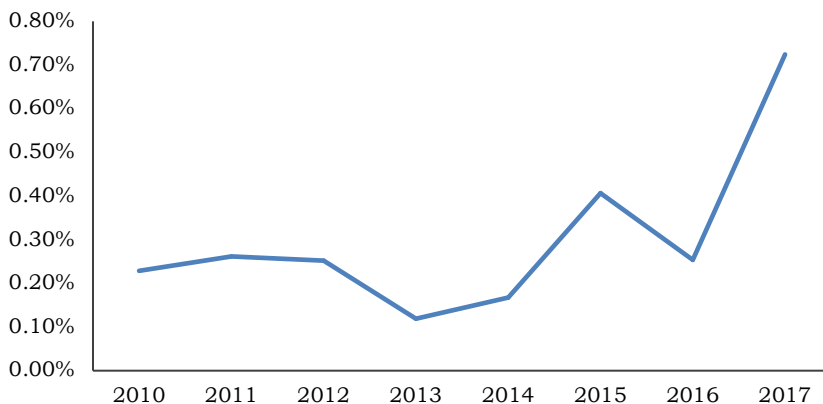
In the financial statements, most companies have reported donations under operating expenses in the Profit & Loss Account (also called the Statement of Income) as “CSR expenses” or simply “Corporate Social Responsibility”, instead of “Donation” which would be more appropriate. A few have clubbed it under “Other expenses”. Such connotation is misleading as companies were engaged in other social activities beyond mere cash contribution.

Taking together the four biggest public corporations in the sample for which all their annual reports are available since 2010, namely, DHI, DGPC, BT, and BPC,<sup>14</sup> average donation as percent of their net profit shows an upward trend despite sudden decline in 2013 and 2016 (Figure 1). On average, it increased from 0.2% in 2010 to around 0.7% in 2017. However, there is no consistent trend in corporate donation (as a percent of net profit) at individual company level (Table 17).

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<sup>13</sup> Campbell, Moore & Metzger (2002) have used net profit before tax.

<sup>14</sup> BNB, despite its annual reports being available for the same period, was not taken because for some years in between, no donation was made and this can skew the average figures



**Figure 1:** *Generosity ratio, averaged for DHI, BT, DGPC, and BPC, from 2010-2017*

Table 17 shows generosity ratios for 10 companies for years where annual reports are publicly available. Overall, annual cash donation has been less than one percent of the profit for an overwhelming majority of the companies. In fact, most of them have contributed less than 0.5% of the net profit. In some rare case, corporations have donated more than one percent.

**Table 17: Generosity ratios for 10 public companies (%)<sup>15</sup>**

	DHI	DGPC	BPC	BT	BNB	BOB	STCB	CDC	NRDC	T- Bank <sup>16</sup>
<b>2009</b>	0.28	0.98	0.66		0.16					
<b>2010</b>	0.03	0.36	0.22	0.84	0.19					
<b>2011</b>	0.03	0.36	0.07	1.14	0.01					
<b>2012</b>	0.03	0.40	0.40	0.54	0.15					
<b>2013</b>	0.09	0.17	0.14	0.08	0.02	0.22		0.12	0.32	0.03
<b>2014</b>	0.08	0.22	0.08	0.54	0	1.02	0	0	0.55	0.05
<b>2015</b>	0.20	0.51	0.19	2.29	0	0.08	5.96	0.71	21.4	0.13
<b>2016</b>	0.18	0.31	0.58	0.30	0.91	0.03	1.04	0.12	1.59	0.52
<b>2017</b>	0.21	1.42	0.05	0.23	0.86	0.10	0.21	0.61	1.66	0.35

In an attempt to examine whether corporations are making a reasonable amount of financial contribution to the society or not, the figures are firstly compared with a similar study conducted by Campbell, Moore, & Metzger (2002) based on company data from UK and USA. It was found in their study that donations for all FTSE companies in UK rose from a mean of 0.11% of PBT in 1985 to 0.405% in 1999. During the same period, the US rate of donations against PBT is consistently higher than in the UK by a factor of between 11 (in 1986) and 4.5 (in 1996), and mostly lying around 1.5% (pp. 36). Since they used Profit Before Tax, comparable rates should be more

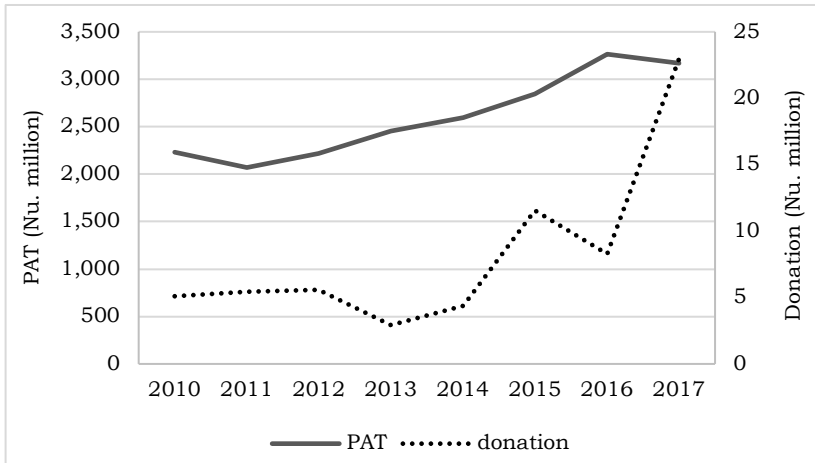
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<sup>15</sup> DPNB was excluded because it has not separately reported donation amount in the annual report despite mentions of having supported various social activities in each year. Only in 2012, it was reported that they have donated Nu. 500,000 to Wangdue Dzong reconstruction. But again, in the same year, it sponsored a golf competition for which the amount was not mentioned.

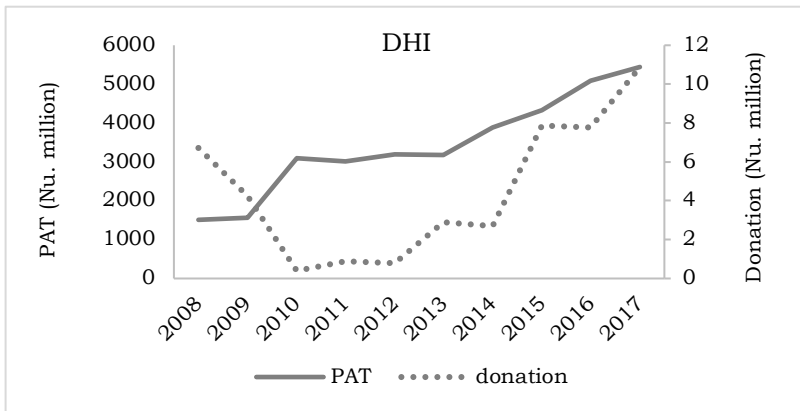
<sup>16</sup> 2015 and 2016 annual reports are publicly available. Rest are based on audited financial statements.

than that. But it is evident that most companies are donating below the 1999 corporate donation rates of the UK companies and obviously far below the US company rates.

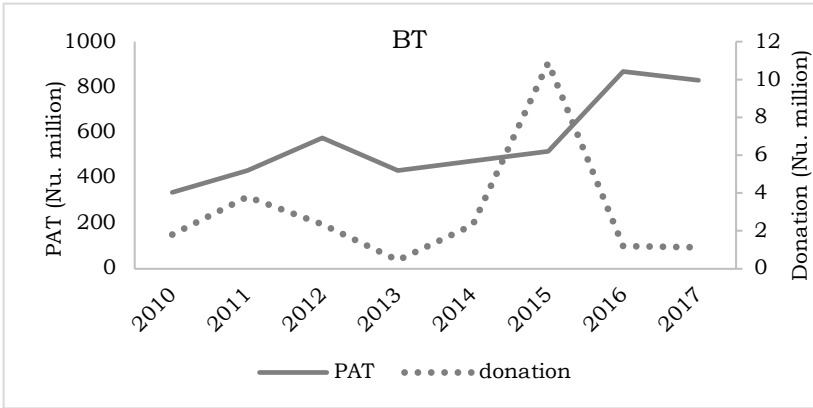
Second, it was hypothesized that donations would increase as profits increase. It cannot be concluded whether a certain rate is meaningful or not from this relationship, but such a relation can indicate whether a certain amount is meaningful in relation to amounts other years. It is expected that donation would increase as profits increase, and vice versa. While observing the graphs shown below [Figure 2 - Figure 6], it is however evident that there is no significant relation between profit and donation. While the profits of the companies have largely kept on increasing from 2010-2017, there is huge fluctuations in the amount of donations from year to year. This finding indicates that growth and profitability are not indicators for donation, and as expected, companies have not become more generous as they became richer. It can thus be concluded that generosity rates are not satisfactory based on this perspective.



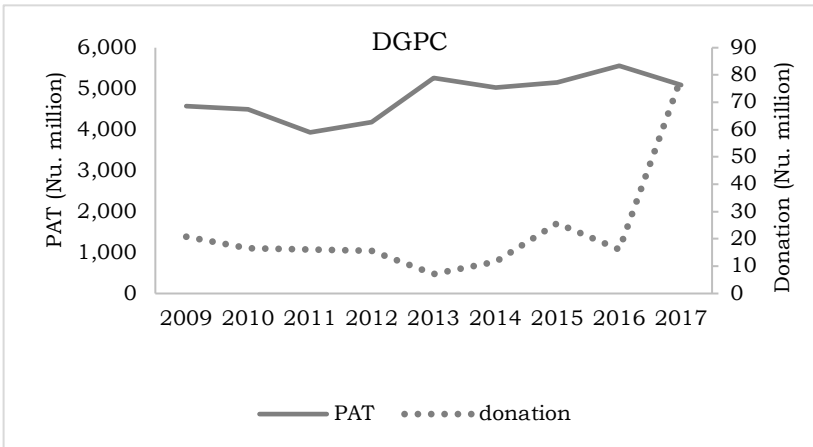
**Figure 2:** Average net profit and donation for DHI, BT, DGPC, and BPC



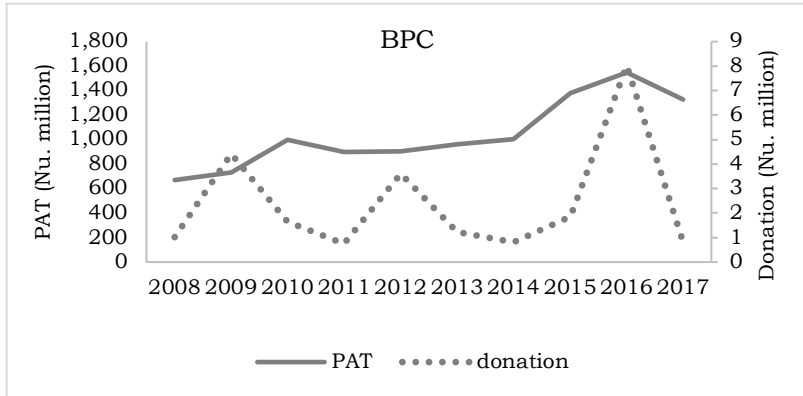
**Figure 3:** Average net profit and donation for DHI



**Figure 4:** Average net profit and donation for BT



**Figure 5:** Average net profit and donation for DGPC



**Figure 6:** Average net profit and donation for BPC

### Conclusion

From this study, it can be concluded that companies do not have a systematic procedure to deal with CSR, both at the broad industry level as well as the individual company level. The current DHI guideline needs to be updated and made more relevant. The threshold is set low and companies are donating way beyond its threshold.

Information reporting on CSR in the annual reports is poor. The practice of CSR differs largely from one company to another, and there is no consistency in designing, allocation of budget, and reporting of CSR within the companies. So, it is difficult to conclude whether the companies in Bhutan in general are doing enough to the society. Most companies have considered donation as one of the key components of CSR. Donation as a percent of PAT is less than 0.5% for most of the

companies. The amount of donation has no relation with profit, and the rates are low. There is a need for companies to maintain a CSR fund by allocating a certain proportion of the profit for it every year.

These findings cannot be generalized to the entire companies because of the low sample size as well as limited coverage of longitudinal data. As these companies are public companies, it may not even represent the behaviour of all companies in general.

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