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CONTENTS

Inequality in Bhutan: Addressing it Through the Traditional *Kidu* System

Lhawang Ugyel[*]

Abstract

As global inequality is dropping, inequality within countries is rising. The problem of inequality is a cause for concern for nations as it undermines democracy and reduces welfare. Bhutan, a developing country in South Asia, also faces rising inequality. Based on the experience of the *kidu* system in Bhutan, this paper argues that the system is effective in reducing inequality of opportunity. The *kidu* functions as a welfare system in Bhutan, and is under the prerogative of the King of Bhutan. The traditional *kidu* system was reformed by the present monarch of Bhutan in 2006. It was improved with procedures, guidelines and entitlements in place to identify those most needing help. Through a dynamic and systematic organizational set up, it allowed for some form of means-tested social assistance to address inequality of opportunity in Bhutan. Particularly, the educational scholarships and the land reforms forms of *kidu* provides the poor and their future generations to escape from extreme poverty. The *kidu* system in Bhutan is a good example for other developing countries to institute an effective means-testing assistance and integrating a traditional system into the government mechanism.

Keywords: inequality, inequality of opportunity, welfare, *kidu*, means-testing

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1. Introduction

Inequality is a growing concern in almost all countries. As the divide between the rich and the poor widens, countries are facing enormous pressure to tackle inequality as a serious policy concern. Unlike the concept of poverty which focuses on those whose standard of living falls below a certain threshold, inequality is about the variations in living standard across a whole population (McKay, 2002). However, the connection between inequality and poverty is important, as the Kuznet's curve shows the relationship between inequality and per capita income or prosperity as an upside U curve. This means that as per capita income increases, inequality also rises. Once it reaches a certain point, for instance when a country has become fully industrialized and citizens demand redistribution from their government, inequality declines. In recent years, however, the inverted U curve has turned to an italicized N as inequality has started to increase again (Beddoes, 2012).

The definition of inequality can take different forms. The first form is between absolute and relative inequality where absolute inequality is the absolute differences whereas relative inequality is the relative differences in incomes. A second form is between horizontal and vertical inequality, where horizontal inequality is between groups and vertical inequality is among households or individuals. Whether or not inequality is good or bad for a country is debatable. The argument for inequality is based on a libertarian or what Mankiw (2013, p. 32) describes as a 'just deserts' perspective where people receive compensation congruent to their contributions, and that every individual earns the value of his or her own marginal product without the government altering the income distribution. On the other hand, there are strong arguments against inequality. Some of the main arguments are that inequality undermines democracy and reduces welfare. As Doyle and Stiglitz (2014, p. 7) argue, 'full equality is not a goal', and while some economic inequalities may be conducive to economic growth, extreme inequality will have harmful social, economic and political effects.

Despite the differing views on equality of income, there is explicit understanding that focus should be on equality of opportunity. This paper argues that Bhutan, a developing country located in South Asia, faces rising inequality levels. It then examines how the traditional *kidu* system is effective in reducing inequality of opportunity in Bhutan. The most common measure of inequality is the Gini coefficient. It uses the Lorenz curve, which examines the relation of the income of the country against the cumulative population. How far the income distribution of a country lies below the curve determines the inequality of a country. A Gini of 0 represents perfect equality and 1 is perfect inequality. Presently, the Gini coefficients ranges between 0.27 in Sweden and 0.63 in South Africa (World Bank, 2018). Bhutan's Gini increased from 0.36 in 2012 to 0.38 in 2017. As Bhutan's pace of economic development picks up, inequality is likely to increase, and will pose to be a major policy problem for the country.

The government of Bhutan provides free health and education to all its citizens. While such services have benefited its population, there are some people who fall through the system. Currently, within the government structure, there is no system to cater to the needs of such people who are left out of the government's social policies. With an increase in the ageing population, unemployed youth and changing family structure the number of people who are going to be adversely affected is growing. The only formal mechanism in place in Bhutan to cater to this group of people is through the traditional *kidu* system. According to Shaw (2015, p. 1), the original Tibetan concept of *kidu* has been defined as "welfare, self-help and assistance", and in the context of Bhutan, the concept is closely linked to the "moral authority of the monarch with the economic needs of the public". The Constitution of Bhutan specifies that the prerogative of granting *kidu* lies with His Majesty. The Fifth King of Bhutan, Jigme Khesar Namgyel Wangchuck (r. 2006 – present) reformed the traditional *kidu* system to be more proactive. In addition to the earlier option of people submitting their requests for all types of welfare support, there are mechanisms to identify those who require *kidu*. This paper explores these processes of identifying people who require *kidu*. Bhutan's *kidu* system provides an opportunity to explore strategies that can be used as a form of means-testing to reduce inequality of opportunity. It also presents an opportunity to highlight, as an example, how alternate systems functioning outside the government system can be integrated to reduce inequality.

2. Inequality as a Global Problem

Global inequality is now falling, however, inequality within countries is rising. This trend is particularly visible in most of the developed countries where the Gini coefficient in the mid-2000s compared to the mid-1980s has significantly increased (OECD, 2011). In developing countries, the picture is more mixed, but inequality is growing in the larger countries (Hoy & Samman, 2015). While economic forces are partly responsible for increase in gaps between the rich and poor, another major factor is the result of public policy choices, such as taxation, the level of minimum wage and the amount invested in health care and education (Doyle & Stiglitz, 2014). One of the main problems associated with inequality is that it reduces welfare. Based on the principle of diminishing marginal utility, an extra unit of income is worth more to a poor than a rich person. The job of the government, therefore, is to redistribute income from the rich to the poor. Inequality also reduces welfare due to relative deprivation or loss of status. There are two ways to examine inequality: inequality of outcomes and inequality of opportunities. Inequality of outcome, is the inequality resulting from the economic, demographic and social process which generates the distribution of income (Lefranc, Pistolesi, & Trannoy, 2008). One of the causes of inequality of outcomes is income segregation. Income segregation refers to the 'uneven geographic distribution of income groups within a certain area' (Reardon & Bischoff, 2011, p. 1093). For instance, lower income households live in neighbourhoods with lower average incomes than higher income households, and are likely to be disadvantaged not only by the difference in their own incomes but by differences in their respective neighbour's incomes

(Saxonberg & Sirovatka, 2009). Inequality of opportunity is when a person's chances of getting ahead, for example, attaining an education or getting a good job, is related to socially ascribed characteristics such as race, gender or socioeconomic origin (Breen & Jonsson, 2005). When studying unequal opportunities, it is important to separate the determinants of a person's advantage into "circumstances" and "efforts" (Bourguignon & Ferreira, 2007). Circumstances are factors which are economically exogenous to the person, such as her gender, race, family background or place of birth, and they may affect a person's outcomes but cannot be influenced by the individual. Efforts are outcome determinants which can be affected by individual choice. Thus, a way to understand the concept of inequality of opportunity is in a situation where everyone shares the same set of circumstances, and an equal opportunity policy is one that provides a level playing field for the entire population.

The two concepts of inequality share some commonalities and distinctions. The distinction between inequality of opportunity and inequality of outcomes is important. Ferreira and Gignoux (2011) offer three sets of reasons. Firstly, there is an increasing view that it is inequality of opportunity, and not outcomes, which should inform the design of public policy. Secondly, if the degree of inequality of opportunity affects popular attitudes to outcome inequality, then it may affect beliefs about social fairness and attitudes to redistribution. Thirdly, inequality of opportunity might be a more relevant concept than income inequality for understanding why and whether aggregate economic performance is worse in more unequal societies. In terms of commonalities, equality of opportunity is related to the degree of equality of outcome. Higher inequality of outcome increases the incentives to intergenerational mobility and raises the constraints to mobility, and thereby decreases equality of opportunity (Lefranc et al., 2008). Inequality of outcomes in the present is likely to place family background a prominent role over hard work in determining outcomes (Corak, 2013). Countries with greater inequality of incomes also tend to be countries in which a greater fraction of economic advantage and disadvantage is passed from parents to their children. Doyle and Stiglitz (2015) contend that those born into the bottom of the economic pyramid are unable to reach their potential, and thus reinforcing the correlation between inequality and slower economic growth. Many authors (cf. Bourguignon & Ferreira, 2007; Ferreira & Gignoux, 2011) argue that inequality of opportunity is important to address inequality of outcome.

Most of the inequality observed around the world is associated with rent-seeking which undermines economic efficiency, but the worse dimension of inequality is the inequality of opportunity, which is both the cause and consequence of inequality of outcomes (Doyle & Stiglitz, 2014). Inequality of opportunities causes economic inefficiency as well as reduced development as large number of individuals are unable to live up to their potential. Bourguignon and Ferreira (2007) also notes that opportunity rather than income or observable outcome has remained relatively rare and the measure of inequality of opportunity is challenging. There are broadly four responses that can be undertaken to address the issue of inequality. The first is fiscal reforms, which have become less redistributive as the expenditure side does most of the redistribution. In general, there is less scope for fiscal response to inequality in developing countries as they have smaller governments and regressive tax system. For example, the weight of individual taxes on incomes as a percentage of GDP is 2.5 percent in China, 1.6 percent in Latin America and 0.5 percent in India, while the average for OECD countries is around nine percent (Bourguignon & Ferreira, 2007). Nevertheless, developing countries can expand social safety nets including conditional cash transfers, provide cash incentives for low income families and develop and reform their tax system. Second set of reforms are economic reforms. These reforms include increasing the minimum wage and strengthening collective bargaining. Such reforms can be good for those with job but potentially problematic for those without. Economic reforms could also include regulating the financial sector and capital flows, deregulating monopoly sectors and deglobalization by putting tariff barriers in developed countries, and improving access to markets. The third reform is service delivery reforms. It includes spending more on basic service delivery, spending more on what matters most for opportunity (such as pre-school programs), promoting access for the disadvantaged (e.g. scholarships for girls and subsidizing best teachers to teach in the worst schools), and improving service delivery quality. Fourth is social reforms. This can include reforms like addressing discrimination through policies such as affirmative action, etc. or by government intervening in social fabric by strengthening or substituting the traditional family.

3. Rising Inequality in Bhutan

Inequality in Bhutan has received some attention in recent years. As we saw in the earlier section, Bhutan's Gini has increased between the period 2012 to 2017. While Gini is a useful way to determine inequality, the coefficient by itself does not provide a meaningful interpretation of inequality. The trend in the rise or fall of the Gini over a period is important. Another useful way of determining inequality is to compare the consumption pattern of the population. In Bhutan, the top 20 percent consume almost seven times more than the bottom 20 percent and a person in the top 10 percent consumes 1.6 more times than the person in the bottom 40 percent of the population (NSB, 2017). The inequality trend is higher in the urban areas as compared to rural areas. Gini based on expenditure for both the urban and rural areas was estimated at 0.32 in 2007, and in 2012, it had increased to 0.35 for the urban area and 0.34 for the rural area (Tobden, 2017). As of 2017, the shares of the poorest quintile in urban and rural areas were almost similar; however, the share of the richest quintile in the rural areas was higher than that of the urban areas (NSB, 2017).

Poverty is still widespread in Bhutan with a third of the population identified as poor, and this is mainly confined to the rural areas where close to 70 percent of the people live (Santos, 2013, p. 287). The main causes of poverty in Bhutan are health status and literary attainment. Unequal access to health and education compounds the problem of inequality in Bhutan. In a recent report (NSB, 2017), of the people who reported some sickness or injury, only 60 percent of the poor were likely to visit a medical facility as opposed to 70 percent of the rich. The difference was even more stark when visiting a regional or national referral hospital where only 7 percent of the poor, as opposed to 24 percent of the non-poor, made extra efforts to get referred. Unequal access to education also contributed to inequality in Bhutan. Education is an important factor and accounted for 17-18 percent of total inequality in 2007 and 2012, and the mean expenditure where the head of the household has a graduate degree is three times more than those with no formal education and twice that of those with less than a graduate degree (Tobden, 2017). Another indicator that captures the degree of inequality is the Human Opportunity Index (HOI), which is computed by multiplying the coverage rates by a measure of the dispersion of access across the relevant groups (Rama, Béteille, Li, Mitra, & Newman, 2015). The HOI ranges from 0 to 100 where 0 is when nobody has access and 100 is when everybody has access. In a comparative study of various developing countries in Asia, Bhutan's HOI is lower than 80 and is at the bottom of the ranking just above Pakistan and Sri Lanka for inequality of opportunity in primary and secondary education (Son, 2012). The other countries included, mentioned in terms of their ranks, are Indonesia, the Philippines, Vietnam, and Bangladesh. The main reasons attributed for Bhutan's dismal performance is due to its geographical circumstance, where terrain makes rural and remote areas inaccessible. Progress in access to education in rural areas continues to remain a challenge and there are many areas where few children attend school and many of these places also have high poverty rates (NSB & World Bank, 2010). This rural-urban residence divide is the most important circumstance followed by per capita household expenditure (Son, 2012).

Bhutan has done well to reduce poverty levels. The last decade has shown remarkable reductions, even compared to global rankings in the rate of poverty reduction where it dropped from 23.2 percent in 2007 to 8.2 percent in 2017 (NSB, 2017). Bhutan's holistic approach to development has led to reduction in poverty through access to roads, electricity, water, sanitation and education (Santos, 2013). Provisions in the Constitution for the government to provide free access to basic health services in both modern and traditional medicines (Article 9 (21) of the Constitution) and free education to all children of school going age up to tenth standard (Article 9 (16) of the Constitution) mandate the government to undertake policies that reduce such forms of inequality of opportunities. Such 'pro-poor' policies and the planned investments made by the government have been successful in reaching the poor people (Santos, 2013, p. 287). However, challenges continue to persist. The rural areas continue to have significantly higher poverty than urban areas (NSB, 2017) and challenges also remain in reaching out to the poorest poor (Santos, 2013).

4. The *Kidu* System in Bhutan

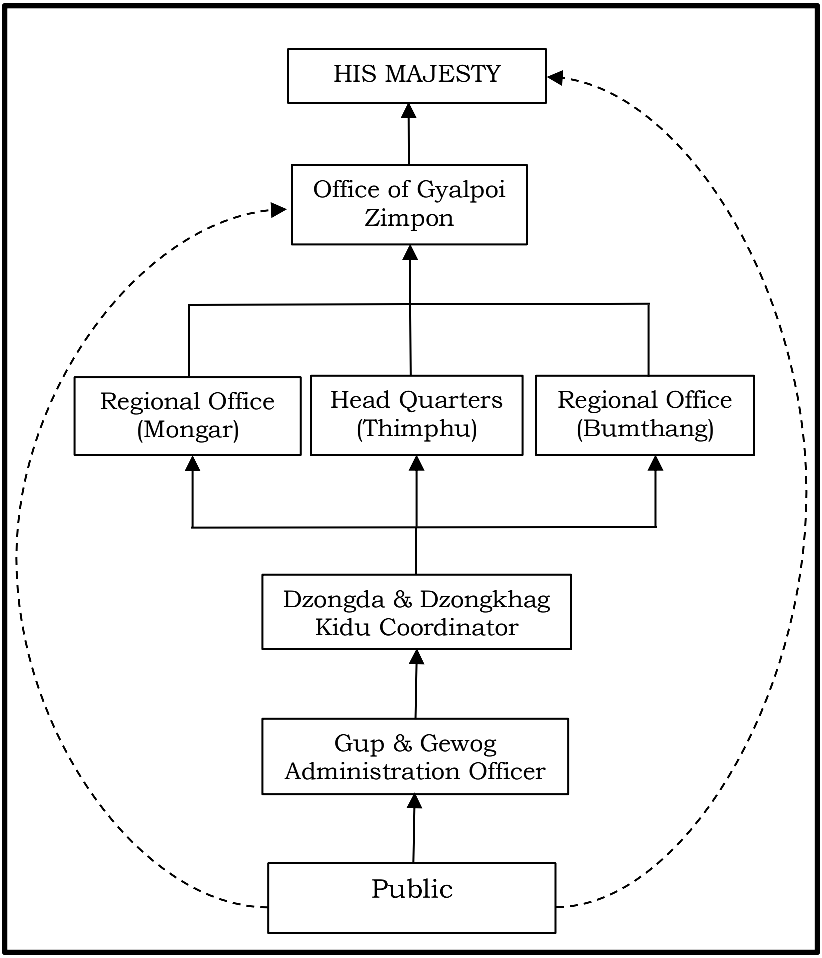
The *kidu* system in Bhutan is steeped deeply in its tradition. Shaw (2015) speculates that this concept could have been brought into Bhutan in the 17th century, and as communities grew the need for social protection also became necessary. The concept of *kidu* became an integral part of the system during the 1950s when His Majesty the Third King of Bhutan (r.1956 – 1972) initiated land and social reforms, such as abolishing slavery (Shaw, 2015, p. 5). Over the last few decades, *kidu* has been a prerogative of His Majesty the King. In 2008, the Constitution explicitly included that land *kidu* and other *kidus* may be granted as per the Royal prerogatives. Land *kidu* was a major initiative as a source of income and a way of helping the poor people (Shaw, 2015). Through the 1970s land has been distributed to the landless and the poor during the reign of His Majesty the Fourth King of Bhutan (r.1972 – 2006). In his first address to the 86th National Assembly as the Fifth King of Bhutan, he stated that *kidu* was a sacred duty of the King and all *kidu*-related problems would be resolved. Land *kidu* was specially identified as the major concern of the people. This was also the time when the traditional *kidu* system was reformed and professionalized to provide *kidu* to those most needing it. Procedures, guidelines and entitlements were put in place to identify the poorest of the poor (Pem, 2010).

Four main categories of *kidu* were identified and established: *kidu* for the destitute, the impoverished, poor students and the landless (Penjore, 2015). Basically, the first three categories were income supplements where a living allowance was provided. The 'destitute' and 'impoverished' categories included orphans, children raised by single parent or relatives, children of landless farmers, children born to families with no or little cash income, disabled children with no support and old people without any source of income or family to support them. The poor students included children from families who are poor and cannot afford to send their children to school despite the free education provided by the government. Generally, these families received a fixed amount each year depending on the student's level of education. The fourth category, that is, those without any land, has been the major *kidu* granted in recent years. These group of *kidu* recipients included disabled and old with no children or relatives, homeless people with no source of income and those who face acute food insecurity (Penjore, 2015). In addition to those without land, land *kidu* was also granted as a part of the major land reform initiated. Besides these four main categories of *kidu*, there were also other forms of *kidu* that were granted during times of disaster, land rehabilitation, providing medical treatment both within the country and abroad, pardoning and reducing of prison sentences, education scholarships, and granting citizenships.

When the *kidu* system was reformed, His Majesty the Fifth King commanded that it must be professionalised and based on principles of equity and on proactive and rigorous selection criteria (Gyamtsho, 2008). To streamline and put a functioning *kidu* system in place, two offices were established in Central Bhutan (Bumthang) and Eastern Bhutan (Mongar) (refer to

Figure 1). These two offices covered the 12 *dzongkhags* in Central and Eastern Bhutan. The main office in Thimphu, the capital city, was responsible for the dzongkhags in Western and Southern Bhutan, as well as urban-related *kidu* in Thimphu city. The main office and the regional offices worked through the existing government administration to establish a strong network of people who could reach out to all corners of the country (Pem, 2010). At the *dzongkhag* (district) level the network included the 20 *dzongdas* (district administrators) and 20 *dzongkhag kidu* coordinators, and at the *gewog* (block) level 205 *gups* (village heads) and 205 *gewog* administrative officers. These officials are part of the local governments and the function of *kidu* is one of their many functions. Figure 1 shows the set-up of the *kidu* system and how the public can access *kidu*. Unlike the previous system where people had to travel to Thimphu to make a *kidu* submission, with the new system people could now make their submissions to the gup or the gewog administrative officers in their own communities. The *gups* and *gewog* administrative officers could also take the initiative to identify those who require *kidu* and make the submissions on their behalf. Based on a set of criteria identified by the Office of *Gyalpoi Zimpon*, the submissions are whetted at the dzongkhag level either by the *dzongda* or the dzongkhag *kidu* coordinator before being submitted to the regional offices and finally to His Majesty through the Office of *Gyalpoi Zimpon*. To ensure that the submissions are not delayed or lost in the process an integrated information management system was developed at the back-end. The *Kidu* Information System database was developed by collating information from various agencies such as the National Land Commission, Department of Immigration, and other key agencies. This also meant that the Office of *Gyalpoi Zimpon* liaised with various agencies to ensure that the right people were getting access to *kidu*. Alternately, as indicated by the dashed lines in Figure 1, the public can also submit their petitions directly to His Majesty and the Office of *Gyalpoi Zimpon*. A common sight during His Majesty's many tours to various parts of the country are the people waiting along the road or trekking path to submit their petitions.

Figure 1: *Kidu System*



5. *Kidu* System as a Way of Addressing Inequality in Bhutan

The *kidu* system as set up by His Majesty the Fifth King has been an effective policy intervention in addressing inequality in Bhutan. Although the government continues to strive to reduce poverty through its universal access to health and education policies and infrastructure and other rural-based policies, there are still people who fall through the cracks. The *kidu* system targets this group of people whose needs are not addressed by the government's universal social policies. It was His Majesty's vision to ensure that the *kidu* system should work as a social safety net with social and economic roles (Gyamtsho, 2008).

The new *kidu* system and the organizational set up has allowed for some form of means-tested social assistance to address inequality of opportunity in Bhutan. Brodkin and Majmundar (2010) point out that organizations operate as the gateway to public benefits as they are formally authorised to adjudicate claims, interpreting and applying eligibility rules in the process. For such a system to exist within Bhutan's government is challenging since it already provides universal access to basic services and needs. Targeting specific segments of the population even if the needs are genuine can be subject to undue political influence. Such scenarios can lead to situations where politics becomes a battle over control of the state and its resources for personal gain, such as handing out patronage and getting bribes for political favours (Saxonberg & Sirovatka, 2009). Fortunately, the *kidu* system operates outside the political spectrum, and it does not have to succumb to such political pressures. Additionally, working through the government system is likely to encounter cumbersome processes and rules to determine eligibility. A central premise is that social policies are not self-executing but depend on organization practices for their production, and that processing rules may be quite extensive, requiring numerous appointments at welfare offices and presentation of documents for verifying eligibility (Brodkin & Majmundar, 2010). It can be argued at a first glance at Figure 1 that the process in the new *kidu* system is as cumbersome with several layers. While each level aids in the whetting process and establishes accountability to the submissions made, the turnaround is quicker. The direct access to His Majesty and Office of *Gyalpoi Zimpon* also provides alternate avenues in cases of delay or urgency, thus reducing the extensive and cumbersome process of accessing *kidu*.

The *kidu* system fills in the vacuum left by the government, market and the community sectors in Bhutan towards addressing inequality. Families tend to be the last safety net in the absence of any means-tested social assistance in Bhutan (Schmähl, 2002). In situations without any family members to fall back on, people can be left vulnerable. The market in Bhutan is not able to satisfy the needs of the multi-dimensionally poor (Santos, 2013). The poorest households are unable to participate in the public policy process leading to social and economic exclusion (Dorji, Jamtsho, Gyeltshen, & Dorji, 2013, p. 90). This is where the *kidu* steps in, in the absence of a means-tested social assistance system. Generally, the main approaches to a means-testing is through an income and assets tests, or some combination of the two, and the interaction between these and the income tax system (Saunders, 1999). There are only 78,964 personal income tax payers in Bhutan as of 2017, which is approximately 10 percent of the total population (Rinzin, 2017). Any form of income test in Bhutan would not include a large segment of the population, irrespective of whether or not they are poor and deserving of social assistance. There is scope for reforms in the income tax policies to address inequality, particularly as Bhutan continues to develop economically. The current personal income tax structure is based on a system of progressive slabs of 10, 15, 20 and 25 percent (Mohommad & Kvintrade, 2014). The tax rate for the high-income group can certainly be increased as it is one way to reduce inequality. Piketty (2013) proposes a fiscal reform that includes 80 percent tax rate on incomes over $0.5 or $1 million (M), which is not to raise revenue but to reduce executive remuneration, and a progressive global tax on capital, combined with high level of international financial transparency. However, any harsh policy changes related to income needs to be mindful of negative effects on entrepreneurship (Mankiw, 2013) and encouraging fraudulent practices and improper disclosure of information (Saunders, 1999). Any fiscal reform solely for purposes of income-testing in Bhutan may require a major policy initiative, and in fact may not be necessary. Part of the reason is because the current identification system of the poor for *kidu* serves as a simple yet efficient way to identify those who are in need of intervention. In addition, the funding for *kidu* is operated and sourced outside of the government's budget. So, there is no conflict with the government-of-the-day's functioning. Further, the "means-testing" of deserving people is based on a set of procedures and guidelines. The appointment of *kidu* coordinators at the community level helps in ensuring a targeted approach through observations over a period and gathering information from other community members.

At this stage, it may be pre-emptive to declare that *kidu* has been successful in addressing inequality of opportunities in Bhutan. Measuring the outcome of inequality of opportunity is challenging (Bourguignon & Ferreira, 2007). The outcomes of the *kidu* interventions such as education scholarships and land grants can only be determined in the long-term. Nevertheless, some output indicators of the success of *kidu* in Bhutan can be gleaned from these statistics. In 2010, more than 400 poor individuals and households and over 4,000 poor children were recipient of *kidu* (Penjore, 2015). As of 2015, 9,287 acres of land was granted as land *kidu* to 7,947 households. A total of 123,071 acres of land was granted as *kidu* to 102,336 beneficiaries in 13 *dzongkhags* since 2010 (Penjore, 2015). These numbers are likely to be higher and a study to determine the impacts of each of the *kidu* in the near future may be desirable. Such interventions that target inequality of opportunities acts as the missing link between the concepts of income inequality and social mobility and eases intergenerational mobility (Corak, 2013). Particularly in

Bhutan, access to education and land by one generation helps in raising the income status of the subsequent generation. Therefore, such forms of interventions address inequality of opportunities and requires compensating people for disadvantages related to circumstances so the distribution of outcomes can be entirely attributed to efforts (Rama et al., 2015).

6. Conclusion

As inequality becomes a problem for all countries, developing country like Bhutan will find it difficult to deal with the challange. Poverty continues to be a major concern for such countries, and inequality further aggravates it. Governments are unable to effectively deal with the problem of inequality due to the lack of focus or the resources. Bhutan's government faces a similar issue. Despite providing free basic health care and access to education, there are people who still suffer from extreme poverty. Socio-economic changes, such as the rural-urban divide and increase in urban poverty, are taking place amidst the rapid economic growth in Bhutan. As a nascent democratic country, Bhutan's government faces multiple challenges. Currently, there are no specific policies to deal with inequality. The responsibility and the gap is filled by the traditional *kidu* system, which operates under the monarchy. Under the Fifth King, the *kidu* system was reformed to make it proactive and wider in its scope. The categories of *kidu*, ranging from supplementing income to granting land, were increased. A systematic organization was created to manage the increased mandate. The Office of *Gyalpoi Zimpon* with its regional offices and extended networks using the government officials in the *dzongkhags* and *gewogs* were responsible for identifying and ensuring that *kidu* reached out to the deserving people.

The *kidu* system with its targeted approach is an effective mechanism to identify the poor people who need assistance throughout the country. It serves as a means-tested social assistance system combining both an objective as well as subjective approach. Such a combination helps in distinguishing circumstance from effort in dealing with inequality. The *kidu* system is an effective strategy to reduce inequality of opportunity. The various forms of *kidu*, particularly educational scholarships and the land reforms for the poorest of the poor, provides these groups of people and their future generations an opportunity to escape for extreme poverty. While a proper analysis is required to examine some of these long-term impacts of *kidu*, the number of people receiving such forms of support has increased since the new *kidu* system was established. The lessons from the kidu system in Bhutan has broader implications for other developing countries, especially those whose institutions are steeped deeply in their traditions. It provides an example of using an effective means-testing assistance and integrating a traditional system into the government mechanism. As countries try and tackle the problem of inequality, such strategies can only serve as useful policy options.

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Economic Growth, External Debt and Export Relationship: The Case of Bhutan

Jigme Nidup[*]

Abstract

Bhutan depends mostly on external debt for economic development. Most of its external debt is related to hydropower construction, which in total overshot its GDP by more than 100 percent. This has worried some sections of the society. However, Johansen's cointegration test suggests that there is no long-term relationship between economic growth, external debt, external debt service and export in Bhutan. Further, findings from the unrestricted VAR indicate that even in the short-term, external debt and external debt service have insignificant relationship with economic growth, while it is the export that substantially helps the economy to grow. The Impulse Response Analysis (IRS) suggests that over a medium-term period, a shock from external debt, external debt service can positively influence economic growth at least up to four and half years after initial negative effect. Whereas, export is found to positively impact growth all the way up to fourth year. Therefore, Bhutanese government should focus more into producing export-oriented goods and services in order to spur economic growth.

Keywords: Bhutan; GDP; VAR; External Debt; External Debt Servicing; Export.

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1. Introduction

External debt is a debt owed to non-residents repayable in currency, goods or services (World Bank, 1988). External borrowings take place when domestic financial resources are inadequate to fund development activities. Economic theory postulates that reasonable amount of external debt can spur economic growth because countries at their initial development phase has limited capital stock, which increases investment opportunities (Pattillo, Poirson, & Ricci, 2011). However, when external debt gets accumulated beyond a certain limit, it hinders the economic growth by impeding productive investments (Pattillo et al., 2011). As the external debt accumulates, most of the foreign reserves are used in meeting the debt service, which leads to loss of creditworthiness and external funds. It is believed that increase in external debt leads to equal increase in external debt service payments, which has negative repercussion on countries economic growth (Hameed, Ashraf, & Chaudhary, 2008).

There are several empirical studies that investigate the relationship between external debt and economic growth. For instance, Ezeabasili, Isu and Mojekwu (2011), and Hameed et al. (2008) studied the impact of external debt on economic growth in Nigeria and Pakistan respectively. They found that external debt has a detrimental effect on economic growth. However, Butts, Mitchell, and Berkoh (2012) found that short-term external debt positively and significantly contributed to economic growth in Thailand. Saad (2012) also investigated the relationship between external debt service and economic growth along with other variables such as export and exchange rate in Lebanon. Findings indicate that export and exchange rate contributes in improving countries economy while debt servicing is found to have negative association though the relationship is found statistically insignificant. In some cross-country analyses, Sen, Kasibhatla and Stewart (2007) and Amoateng and Amoko-Adu (1996) observes that debt has negative impact on economic growth in Latin American countries, and African countries respectively. Contrarily, Jayaraman and Lau (2009) found that external debt and export has positive and statistically significant relationship with growth in Pacific Island countries.

Pattillo et al. (2011) speculates that the average impact of debt on per capita growth becomes negative for debt level above 160-170 percent of exports and 35-40 percent of Gross Domestic Product (GDP). In 2016, Bhutan's debt situation reached 353.86 percent of export and 113.80 percent of its Gross National Income (https://data.worldbank.org/indicator/DT.DOD.DECT.CD.CG?locations=BT). Though International Monetary Fund (IMF) debt sustainability analysis classified Bhutan under a moderate risk of debt distress but some local economist feared the worst when the external debt reached 110 percent of GDP in 2016 (https://countryeconomy.com/national-debt/bhutan). Over the last decade, Bhutan saw an average economic growth rate of 7.65 percent (NSB, 2017a), which is commendable going by growth patterns in other developing nations. Therefore, the first objective of the study is to investigate the nature of relationship that exists between external debt, external debt servicing and economic growth in Bhutan. Findings from the analyses suggest that there is no long-term relationship between external debt, external debt servicing and economic growth. Even in the short term, the relationship is found statistically insignificant. However, Impulse Response Analysis suggests that shock from external debt and external debt servicing can spur economic growth over the medium-term.

As an outcome of economic growth, the domestic production increases which has to be sold to the outside world owing to small domestic market. On the other hand, the export-led-growth hypothesis posits that export is one of the major factors that promote economic growth (Shirazi & Manap, 2005). This is mainly due to the export earning capability, which can facilitate in debt servicing. Export is also found to increase opportunities for investment as a result of higher level of income and savings in the economy (Lee & Huang, 2002). Bhutan is mostly dependent on hydropower export to India and high-end tourism service to the outside world. These exports have tremendously paved the way for economic growth. In 2016, Bhutan's net export of hydro electricity earned around Nu 13,364.51 million (M) and tourism industry contributed around Nu 4,954.59 M to its economy (NSB, 2017b). Overall, the total export as percentage of GDP stands at 55 percent over the last decade (NSB, 2017b). Therefore, the second objective of the study is to test the export-led-growth hypothesis in Bhutan. The results indicate that export-led growth hypothesis is applicable in Bhutan. It is observed that export has positive influence on growth in the immediate term as well as over medium-term scenario.

This article is arranged as follows. In the next section, data and methodology is discussed. In section three, various results are discussed and the final section concludes with policy recommendations.

2. Data and Methodology

This study uses annual time series data of real GDP, external debt, external debt servicing and export from 1982-2016. The data on real GDP is obtained from annual national accounts statistics report of the NSB. Data on external debt and external services are taken from the World Development Indicators of the World Bank and finally the data on export is extracted from annual statistical yearbook of Bhutan published by the NSB. Data on GDP and export are expressed in their natural log while data on external debt and external debt servicing are presented as percentage of Gross National Income (GNI).

For the analysis, the following functional relationship has been formulated:

$$\text{GDP} = f(\text{ED, EDS, EX}) \tag{1}$$

Where GDP is the real GDP, ED is the external debt, EDS is the external debt service and EX is the export.

A long run relationship is tested using Johansen (1988) cointegration test. Though the result from Augmented Dickey Fuller (ADF) and Philips Perron (PP) test suggests that variables are integrated of order (1), a meaningful association could not be established in the long run. Detailed results are provided while discussing the empirical results. Therefore, the adoption of Vector Error Correction model (VECM) is deemed unfit and unrestricted Vector Auto Regressive (VAR) model is constructed as follows:

$$y_t = a + A_1 y_{t-1} + A_p y_{t-p} + B_0 x_t + B_0 x_{t-1} + \cdots B_i x_{t-i} + e_t \tag{2}$$

where, $t \in \{-\infty, \infty\}$

$y_t = (y_{1t}, \dots y_{kt})'$ is a $K \times 1$ random vector,

A_1 through A_p are $K \times K$ matrices of parameters,

x_t is an $M \times 1$ vector of exogenous variables,

B_0 through B_i are $K \times M$ matrices of coefficients,

a is a $K \times 1$ vector of parameters, and

e_t is assumed to be white noise.

There are $K^2 \times p + K \times (M(s+1)+1)$ parameters in the equation for y_t, and there are $\{K \times (K+1\}/2$ parameters in the covariance matrix Σ.

3. Empirical Results

3.1. Preliminary estimates

The preliminary examination of the data provided by the descriptive statistics presented in Table 1 indicates that the average real GDP over 35 years of observation is around Nu 25,083 M, which is lower than external debt that averaged around Nu 26,943 M. External debt servicing and export is comparatively lower standing at Nu 1,459 and Nu 11,315 M as compared to other two variables.

Table 1: *Summary Statistics*

Variables	Obs	Mean	Std. Dev.	Min	Max
GDP	35	25,083.14	17,362.92	5,575.12	64,037.43
ED	35	26,942.65	39,498.87	10.82	157,166.00
EDS	35	1,459.33	2,240.91	0.03	8,270.78
EX	35	11,315.63	12,830.35	159.4	35,584.99

Table 2 presents the pair wise correlation analysis to show the nature of relationship between the variables under the study. It shows that there is negative relationship between external debt, external debt servicing and GDP, while export has positive association with GDP. This indicates that external debt and external debt servicing could hurt economic growth.

Table 2: *Pair Wise Correlation*

	GDP	ED	EDS	EX
GDP	1			
ED	-0.1545	1		
EDS	-0.011	-0.0269	1	
EX	0.3927	-0.1405	-0.131	1

Since the analysis require data to be stationary, the time series properties of the variables are tested using standard unit root test such as Augmented Dickey Fuller (ADF) test (Dickey & Fuller, 1979) and Phillips Perron (PP) test (Phillips & Perron, 1988). Table 3 presents the unit root test of the four variables used in the study. The ADF and PP test examines the null hypothesis that the series has a unit root. The null is rejected if the ADF and PP test statistics is less than the critical value at one percent level of significance. According to the test, all the four variables are stationary at first difference indicating that they integrated of order one or I(1).

Table 3: *Unit root test*

Variables	ADF Test		PP Test	
	Levels	First Difference	Levels	First Difference
GDP	-0.759	-5.295***	-0.760	-5.290***
ED	-0.299	-4.595***	-0.461	-4.597***
EDS	-2.081	-7.201***	-1.973	-7.280***
EX	-2.406	-3.880***	-2.263	-3.889***

Note: **** is the significance level at 1 percent.*

In the next step, optimal lag length is determined. Table 4 shows that optimal lag length as suggested by final prediction error (FPE), Akaike's Information criterion (AIC), Hannan and Quinn information criterion (HQIC) and Schwarz's Bayesian information criterion (SBIC) for the study is one.

Table 4: *Lag selection*

lag	LL	LR	Df	P	FPE	AIC	HQIC	SBIC
0	-199.583				5.94742	13.1344	13.1947	13.3194
1	-66.5905	265.98	16	0	.003171*	5.58649*	5.88806*	6.51164*
2	-58.0144	17.152	16	0.376	0.005422	6.06544	6.60828	7.73072
3	-43.1037	29.821	16	0.019	0.006769	6.13572	6.91982	8.54112
4	-28.1072	29.993*	16	0.018	0.009956	6.20046	7.22583	9.34599

The next step consists of testing whether these variables are cointegrated by applying the Johansen cointegration procedure. The result presented in Table 5 suggests that there is no cointegrating relationship at 5 percent significance level. This result implies that there is no long run association between variables under the study. Therefore, this prompts the study to prohibit the use of VECM and use unrestricted VAR model to study the short-term relationship.

Table 5: *Johansen tests for cointegration*

Maximum Rank	Parms	LL	Eigenvalue	Trace Statistic	5% Critical Value
0	4	-100.8254	.	46.0893*	47.21
1	11	-87.196705	0.55143	18.8319	29.68
2	16	-81.915855	0.26702	8.2702	15.41
3	19	-77.781281	0.21589	0.001	3.76
4	20	-77.780757	0.00003		

3.2. VAR results

The short run coefficients estimated using unrestricted VAR are presented in Table 6. As the current data series are yearly, a maximum of 2 lag lengths are used for the estimation. Column (1) shows the coefficient of independent variables when GDP serves as the dependent variable and it is the major focus of discussion in the study. Column (2), (3) and (4) presents the results when external debt, external debt service and export are used as dependent variable respectively.

It is clear from the result that external debt and external debt service has no significant association with GDP in Bhutan in the short-run. Though external debt has positive association with GDP at one lag and negative association at two lags, the relationship is found statistically insignificant. Similarly, external debt service is found to have negative relationship with GDP though the coefficients are insignificant. It is only export at one lag, which has significant relationship. A unit increase in export is found to increases GDP by 10.47 percent and the relationship is statistically significant at 5 percent level of significance. Albeit export's positive association at two lags, the relationship is found statistically insignificant.

In column (2), the coefficients show that as GDP increases, external debt also increases and the relationship is found significant at 10 percent level of significance. This indicates that it is the economic growth that has precedence over external debt. External debt servicing has negative and statistically significant relationship with external debt at two lags, while export also has negative impact on external debt but the relationship is found significant only at one lag.

Table 6: *Unrestricted VAR*

Independent Variables	**Dependent Variables** GDP (1)	**ED (2)**	**EDS (3)**	**EX (4)**
GDP				
L1.	-0.088	50.847*	1.789	-0.4118
L2.	-0.220	57.084**	4.284	-0.7700
ED				
L1.	0.00082	0.08372	-0.056**	0.0054
L2.	-0.0013	-0.1629	-0.026	-0.0032
EDS				
L1.	-0.00053	-1.6616	-0.576**	-0.0139
L2.	-0.00049	-2.2410**	0.1632	0.0293
EX				
L1.	0.1047**	-20.972**	0.9654	0.4426**
L2.	0.0251	-12.787	2.3178	0.1541
Constant	0.0730	2.3421	-0.4559	0.1351**

Note: **, **, *** denotes significance level at 10 percent, 5 percent and 1 percent respectively. L1 and L2 stands for lag one and lag two respectively.*

In column (3), GDP and export is found to have positive but statistically insignificant relationship. Surprisingly, external debt and debt servicing is found to have negative association and statistically significant relationship at one lag. This could be possible in the short-run because it takes time for debt repayments to actually start immediately. Debt servicing at its own one lag has negative impact indicating that better debt servicing leads to its reduction.

In the last column (4), higher the GDP, export is found to reduce export at both the lags. However, the impact is found to be statistically insignificant. Similarly, external debt has positive relationship at one lag and negative relationship at two lags but the relationship is found to be statistically insignificant. Even debt servicing is found to have statistically insignificant relationship with export. It is only export at its own one lag that positively impacts export. The relationship is found to be statistically significant at 5 percent level of significance.

3.3. Impulse Response Analysis

Impulse response analysis is also undertaken to show how an unexpected change in one variable can affect other variables over a medium-term period. It should be emphasized that impulse response analysis in the study is looking at shocks coming from the error term related to external debt, external debt servicing and export, and how such shock can change GDP. The dynamic response of GDP on each independent variable is predicted up to 10 years ahead using the bootstrap percentile 95 percent confidence intervals.

In Figure 1, the response of GDP to a shock on external debt is presented. Likewise, figure 2 and figure 3 also show the impulse response analysis, while the impulse is external debt servicing and export, and the response variable is GDP. It is evident from figure 1 that when there is a shock on external debt, GDP initially reduces but starting the 2nd year, it increases all the way up to 5th year before the impact becomes insignificant. This shows that external debt in fact has the potential to increase GDP over medium term period.

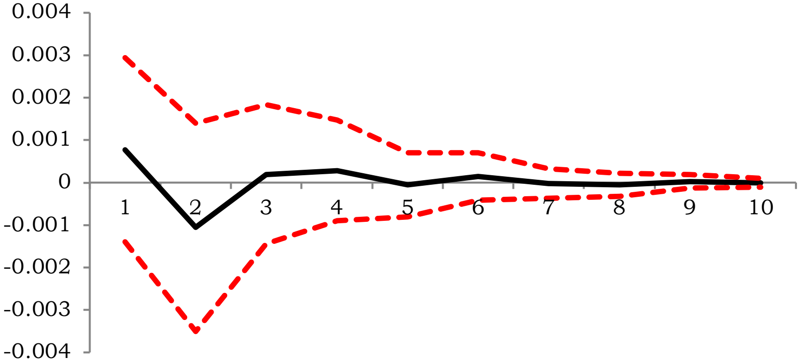

Figure 1: *Impulse ED, response GDP*

Figure 2 shows a very similar pattern to that of figure 1 meaning that as shock from external debt servicing has negative impact only during the initial year and after which it increases GDP until mid 4^{th} year.

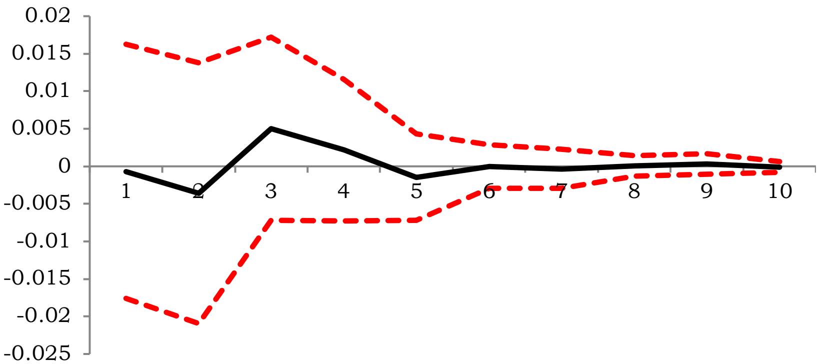

Figure 2: *Impulse EDS, response GDP*

It is only shock from export, which has immediate positive impact on GDP and the affect continues all the way up to 4th year. The impact diminishes for a while but re-bounces back in the 6th year. This shows that export is very important for economic growth in Bhutan.

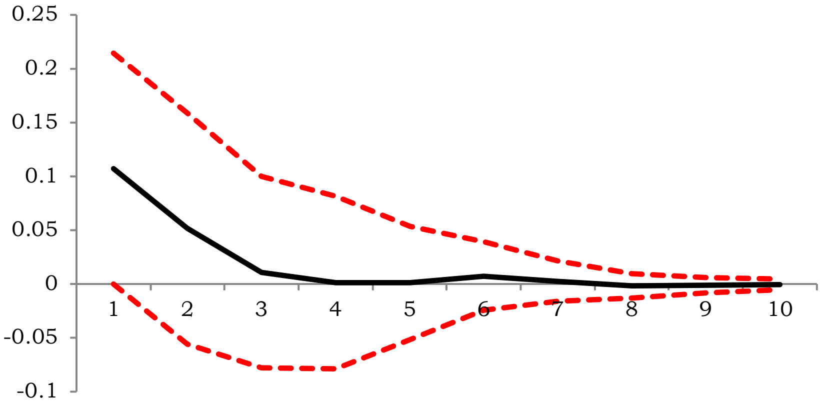

Figure 3: *Impulse EX, response GDP*

VAR diagnostic test reveals that variables are normally distributed except for GDP. There is no serial correlation at one and two lags respectively. The VAR model is found to satisfy the stability condition. The diagnostic test results are presented in the Appendix. Table A1 shows the Jarque-Bera normality test, while Table A2 depicts the Lagrange multiplier test for serial correlation and the final Table A3 shows the Eigenvalue stability test for the VAR model.

4. Conclusion

Economic theory suggests that reasonable amount of external debt can assist economic growth, while external debt beyond certain limit have negative repercussions. Besides, export led growth hypothesis postulates that export is one of the major determinants in spurring economic growth. In order to test such theories, this article used time series data from 1982-2016 and employed an unrestricted VAR model to test its applicability in Bhutan.

The initial results indicated that there was no cointegrating relationship between external debt, external debt servicing, export and GDP in the long run. In the short-run, the unrestricted VAR results indicated that external debt and external debt servicing had no significant influence over economic growth. It was only export that significantly spurred economic growth in Bhutan. Over the medium-term scenario, despite initial insignificant association, a shock on external debt and external debt servicing showed positive impact on the economic growth at least up to four and half year. Even in the medium term, a shock on export showed positive influence over economic growth, which consents the export-led growth hypothesis in Bhutan. Other significant findings from the study are, economic growth is found to have immediate impact in increasing external debt, while external debt servicing and export has negative impact on external debt. External debt is also found to have negative association with external debt servicing and export has positive association with debt servicing. Finally, it is only export at its own lag that increases export.

In terms of policy recommendation, despite no immediate effect, external debt is an important factor that can spur economic growth over the medium term. Even debt servicing is found to have the same influence. This could be true because most of Bhutanese external debts are hydropower related debt, which is quite secure and repayable. Therefore, Bhutan should look into avenues for investment into more hydropower construction. However, a word of caution is needed here. Due to unavailability of longer time series segregated data on hydropower debt and non-hydropower debt, it is unclear how non-hydropower debt would behave in the economy.

As the findings support export-led growth hypothesis even in the short term, Bhutanese government need to focus more on producing export-oriented goods and services. Hydro electricity is the major export commodity that Bhutan can capitalize on due to abundance of fast flowing rivers. Bhutan has been exporting hydro electricity to India and should do the same in near future as well. In addition, Bhutan needs to look for export possibilities beyond India to diversify its market in order to reduce sole market vulnerability. Besides, the export of services such as high-end tourism is also highly recommended. Bhutan should look into diversifying tourism products to attract more tourists.

Finally, it is important to mention some limitations of the study. The study is severely constrained by availability of longer time series data. Most probably, due to such inadequacy, long-term relationship could not be established in the study and the use of Error Correction Model (ECM) could not be implemented. Upon availability of longer time series data on hydropower debt and non-hydropower debt, another round of research is suggested to actually see the behaviour of external debt on economic growth in Bhutan.

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Appendix

Table A1: *Jarque-Bera normality test for normality.*

Equation	χ^2	df	Prob > χ^2
GDP	21.735	2	0.0002
ED	0.812	2	0.6666
EDS	0.499	2	0.7791
EX	0.990	2	0.60967

Table A2: *Lagrange-multiplier test for Serial correlation.*

Lag	χ^2	df	Prob > χ^2
1	7.1510	16	0.97024
2	7.7656	16	0.95552

Ho: no autocorrelation at lag order

Table A3: *Eigenvalue stability condition.*

Eigenvalue				Modulus
-	0.3646448	+	.5408589i	0.652299
-	0.3646448	-	.5408589i	0.652299
	0.6064164			0.606416
-	0.5999198			0.59992
	0.2171133	+	.4558036i	0.504871
	0.2171133	-	.4558036i	0.504871
	0.0749921	+	.4308944i	0.437371
	0.0749921	-	.4308944i	0.437371

All the eigenvalues lie inside the unit circle. VAR satisfies stability condition.

Perceived Sources of Happiness: Things Bhutanese think would make them live a truly happy life

Karma Wangdi[*]

Abstract

The Royal Government of Bhutan is constitutionally mandated to promote enabling conditions for people to pursue happiness. Although investigator-determined sources of happiness such as nine domains and 33 indicators of GNH index are being discussed widely among the policymakers and used as planning tools, participant-generated sources of happiness has not been studied in detail, let alone featuring in policy discourse.

This study is aimed at answering two questions: a) what are the perceived sources of happiness for Bhutanese, and b) how does the perceived sources of happiness differ among people belonging to different socio-demographic subgroups.

Text data collected through nationally representative sample survey involving 8,871 Bhutanese aged 15 years or older using open-ended question was content analysed, classified and coded using inductive category development approach and deductive category application approach. Inter-rater reliability test using Cohen's kappa (κ) was conducted to ensure reliability of classification and coding process.

A total of 18,850 statements of the perceived sources of happiness reported by 7,141 respondents were classified into

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18 major categories and 42 sub-categories of sources of happiness. The most frequently cited source of happiness among 18 major categories is 'money and financial security' (19.6%) followed by 'health and wellbeing' (13.5%), 'asset ownership' (11.9%), 'family and family relationships' (11.2%), 'access to facilities and services' (11.1%), 'education, employment and future success of significant others' (8.8%), and 'education, employment and job satisfaction' (7.2%). The remaining 11 categories accounted for about 17 percent of the total responses.

A significant gender difference in citation of sources of happiness was observed. The results also reveal existence of significant difference between different socio-demographic status such as rural and urban, age, and education in citation of the sources of happiness.

Keywords: Gross National Happiness; GNH; Bhutan; participant-generated sources of happiness

1. Introduction

Bhutan is unique among the nation states in the practice of the plan development and measurement approach. The development framework of Gross National Happiness (GNH) guides the national plans and programme development (Gross National Happiness Commission [GNHC], 2016). The progress of Bhutan's development is also being tracked holistically through the use of unconventional measurement tool of GNH indicators and GNH index, a composite single number index (GNHC, 2009, p. 18; Ura, Alkire, Zangmo, & Wangdi, 2015, pp. 7-8).

Happiness as national development policy has been legitimised based on its root and foundation in constitutional document in

Bhutan. The Article 9 of the Constitution of the Kingdom of Bhutan 2008 now mandates the government to promote enabling conditions for the people to pursue GNH (National Assembly of Bhutan [NAB], 2008). It, therefore, became all the more important to identify and understand the sources of happiness to enable policy-makers and planners to make informed decision.

Besides numerous studies which has identified several investigator determined criteria or conditions of happiness (Diener & Tay, 2013; Easterlin & Sawangfa, 2007; Jun, 2015; Spruk & Keseljevic, 2015; Collewet & Loog, 2015), there also exist several studies conducted to gather participant generated sources of happiness in different parts of the world (Róiste, 1996; Lu & Shih, 1997; Lee, Park, Uhlemann, & Patsula, 2000; Crossley & Langdridge, 2005; Kim, Kim, Cha & Lim, 2007; Jaafar et al., 2012; Primasari & Yuniarti, 2012; Leontiev & Rasskazova, 2014; Gunawardena, 2015; Sotgiu, 2016). However, as the individuals within as well as across culture derives happiness from different sources (Lee et al., 2000, p. 352), it is necessary for a separate study to identify and understand the sources of happiness from the perspectives of the Bhutanese people.

Although the investigator determined sources of happiness, in the form of nine domains and 33 indicators of GNH index (Ura et al., 2012; 2015), are being discussed among the policy makers and being used as planning tools, the respondent reported sources of happiness are rarely discussed in the policy dialogue in Bhutan. Moreover, since the priority of the people changes from time to time depending on the changes in socio-economic conditions and the stage of development, it is important to understand the factors that people believe will make them happy. Several explorative studies conducted in varying cultural and socio-economic settings (discussed in detail in literature review section) have recorded different sources of happiness reported by respondents. Therefore, this paper attempts to find out the things Bhutanese think would make them live a truly happy life.

The results from this study can help policymakers to design practical public policies and programmes geared towards increasing the happiness of people. Currently, due to absence of any empirical evidence on reported sources of happiness, most government policies and programmes are aimed at developing conventional socio-economic aspects with a view towards increasing happiness of the people indirectly through these development aspects.

This proposed study was planned based on the premise that different people derive their happiness from different sources. Hence this study was intended to identify the perceived sources of happiness that people believe would enable them to live a truly happy life. To guide the research, the following broad research question was framed:

1. What are the perceived sources of happiness of Bhutanese?

The following two research objectives were formulated to guide towards achieving the aim of the research and answering the overall research question:

1. to find out perceived sources of happiness of the Bhutanese; and
2. to assess differences in citation of the sources of happiness among people belonging to different socio-demographic sub-groups

2. Literature review

Happiness is the ultimate goal of human beings and all other things are a means to this end (Thinley, 1999). There seem to be no disagreement on the importance of happiness in people's lives. For instance, it was reported that a survey conducted among 9,000 college students from 47 nations rated happiness as the most important value out of a list of 20 values that includes values such as "love, wealth, health, and getting into heaven" (Kim-Prieto, Diener, Tamir, Scollon, & Diener, 2005).

However, when it concerns the definition of what happiness is, there are lots of differing views. There is no singular definition of what constitutes happiness. Various authors define it either from the cognitive or affective aspects, or from both aspects. According to Lu and Shih (1997), happiness is understood as being satisfied with one's life as a whole and enjoying positive emotional state. This definition captures both cognitive component as well as affective component. However, Layard (2003) simply defines happiness as "feeling good" capturing just the affective aspects.

In order to find out how different people define happiness, a recent study conducted in 12 countries asked the question: *What is happiness for you?* to 2,799 respondents (Fave et al., 2016). The study broadly grouped the definitions into two categories – "psychological definitions" and "contextual definitions". With about 42 percent of the total definitions of happiness falling under the psychological definition category, it was the single most cited definition. Among the 10 contextual definitions of happiness, family and relationships were the two most cited definitions; with about 16 percent and 13 percent of the total responses falling under these two categories respectively.

In Bhutan, the closest Dzongkha[1] term for the word 'happiness' is '*ga-kid*' (*dga' skyid*). The term '*ga-kid*', unlike the English term 'happiness', conveys much broader meaning. '*Ga'* is usually associated with mental aspects of wellbeing (*smes dga'*), while '*kid'* is usually associated with physical wellbeing (*lus skyid*). Moreover, Bhutanese generally consider themselves to be happy if they are free from physical illnesses and mental worries. Ask any Bhutanese: *How are you?* And the chances are high that the answer would be: *lus lu na tsha med, sems lu sdug bsngal med pa dga' tog to yod* which can be roughly translated as "I am happy without any physical illnesses and mental worries". Similar conception of happiness seems to exist in other countries too, especially in Norway, Croatia, Hungary, and Brazil where more that 20 percent of respondents defined happiness from the perspectives of health (Fave et al., 2016, p. 9).

Despite having no common consensus on the definition of happiness, there is a surge in wellbeing and happiness research around the world, both by individual researchers as well as institutions. In Bhutan, the Centre for Bhutan Studies and GNH (CBS), an autonomous government research institute based in Thimphu, has been at the forefront in deepening the understanding of happiness. It has been conducting GNH surveys every three to five years since it first started its GNH survey in 2006. Among various other questions, the GNH survey questionnaire also includes a structured open-ended question designed to collect textual data on the perceived sources of happiness from the respondents. For the earlier three waves of the GNH survey the question asked was: *What are the six or seven things that you consider to be most important in leading to a happy and contented life?* The question

[1] Dzongkha is Bhutan's national language.

was slightly reworded for more clarity during the 2015 GNH survey and it reads: *Please think deeply and tell me, what are the most important things (sources) that will make you lead a truly happy life?*

Although these surveys generated huge data on the perceived sources of happiness, these textual data remains largely unanalysed to yield meaningful information, except for the pilot survey data which was categorised, coded and analysed, albeit briefly, by Choden, Kusago, and Shirai (2007). Besides this work, there was no concrete attempt to analyse these data. Moreover, there are no other studies conducted in Bhutan to find out the sources of happiness. Therefore, an analysis of the existing textual data on the sources of happiness collected by the 2015 GNH survey would be very useful for the CBS's future surveys in particular, and for planning and programme development in general. The uses of information on the sources of happiness would be more pronounced hereon because the draft guideline for the preparation of the twelfth FYP states that the long-term development goal of the country should be the maximisation of the GNH (GNHC, 2016).

As briefly noted in the previous section, there are several studies that identify the sources of happiness; both investigators determined sources of happiness and participant generated sources of happiness. However, no two studies yielded the same or similar results, confirming the belief that happiness is a culturally construed concept (Lee et al., 2000; Lu, Gilmour, & Kao, 2001; Veenhoven, 2012, p. 456) where different individuals derive happiness from different sources. Therefore, studies conducted in different places and in different cultural settings produced different list of the sources of happiness both in terms of content as well as the number of categories. A list of different categories of the sources of happiness generated by different studies is annexed for easy reference (see annexure 1).

In Bhutan, as mentioned already, the earliest and the only attempt to derive participant generated sources of happiness was made in 2007. Based on the data gathered from 348 adult Bhutanese as a part of the pilot GNH survey conducted in 2006-2007, Choden et al. (2007, p. 8) categorised and coded the perceived sources of happiness reported by respondents into 15 categories. Since this study formed only a small part of the larger survey report, the process adopted for categorisation and coding was not documented in detail. Therefore, in absence of the description of the categorisation and coding procedure adopted, the rigour of the categorisation and coding process adopted is not very clear.

Away from Bhutan, several similar studies were conducted to identify the perceived sources of happiness (Ròiste, 1996; Lu & Shih, 1997; Lee et al., 2000; Crossley & Langdridge, 2005; Kim et al., 2007; Jaafar et al., 2012; Primasari & Yuniarti, 2012; Leontiev & Rasskazova, 2014; Gunawardena, 2015; Sotgiu, 2016). Ròiste (1996) collected information on the sources of happiness from 515 study participants using the question: *What are your three greatest sources of happiness at the moment, from greatest to least great?* The list of the sources of happiness provided by respondents was then grouped into 14 categories of sources of happiness.

Similarly, Lu and Shih (1997) collected perceived sources of happiness through in-depth interview using two semi-structured question: *What is happiness?* and *What sort of things will make you happy?* They identified 180 different statements of the sources of happiness from the interview responses of 54 adult Taiwanese. These 180 statements were later categorised into nine broad categories.

To study cross-cultural differences in the sources of happiness Lee et al. (2000) conducted a pilot study involving 60 Canadian teacher-trainees to develop a list of the sources of happiness. They used four open-ended questions: *In general, what makes you happy?*, *What could make you happier?*, *Elaborate in detail on three memories in your life so far that have made you either happy or unhappy,* and *What are the three wishes you have for your life?* The information collected from the 60 participants were then content analysed that resulted in generation of 14 categories of the sources of happiness which they called it as "life goal". These categories were then later used for classifying the sources of happiness collected using the same questions in their main study using matching samples from Canadian and Korean respondents.

Similarly, Kim et al (2007) conducted Focus Group Interviews (FGI) involving 61 adult Koreans. They used the following three open-ended questions for the FGIs: *"What makes you happy?*", "*What could make you happier than now?*", and "*In general, who is a happy person?"* The responses from FGIs were classified into 152 statements which in turn were grouped into 18 categories. Based on the initial FGIs and the pilot study, involving 548 adult Koreans to understand the importance people attach to these dimensions of a happy life on a 6-point scale, they identified 16-item sources of happiness called "Happy Life Inventory" through a nationwide survey involving 1503 participants. These 16 sources of happiness, or the factors, are extracted from 156 items using factor analysis.

In England, Crossley and Lagdridge (2005) conducted a small exploratory pilot study involving 20 participants selected through opportunity sampling to find out the reasons for happiness. The reasons of happiness, of respondent themselves and the people in general, as provided by these 20 respondents were categorised into 32 categories.

Leontiev and Rasskazova (2014) asked 76 Russian university students to report five things that make them happy and classified the responses into 21 categories. The category they developed is a slightly modified version of the categorisation system used by Galati et al. (2006, as cited in Leontiev & Rasskazova, 2014).

The sources of happiness identified were different for different age groups even for studies conducted by using same questions in the same region with similar cultural setting. For instance, Jaafar et al. (2012), based on interviews involving adult population aged 21-60 years, categorised the sources happiness into 12 categories while Primasari and Yuniarti (2012), based on interviews involving high school students aged 14-18 years, categorised the sources of happiness into three broad groups which was further disaggregated into eight sub-categories.

Sotgiu (2016) developed a list of 26 categories of the sources of happiness through a questionnaire survey involving 178 Italian undergraduate psychology students. The respondents were asked to note down a minimum of five things that made them feel happy and the responses collected were later content analysed and categorised based on the initial works by Galati, Manzano, and Sotgiu (2006, as cited in Sotgiu, 2016). Unlike other earlier studies, this study also explored the sources of unhappiness. Although, majority of the sources of unhappiness were found to be semantic equivalent of the sources of happiness, they observed few distinct categories.

This study is unique from the studies discussed above on three dimensions: cultural context, sample size, and representativeness, and the methodology. Firstly, Bhutan is culturally distinct and may offer unique perspective of the happiness and how it is being construed. Moreover, Bhutan being vastly different in terms of socio-economic conditions, compared to countries where similar studies were already conducted, is expected to offer unique perspective on the sources of happiness.

Secondly, almost all prior studies, which generated the list of the sources of happiness, were based on small exploratory studies using focus group discussions and in-depth interviews. Therefore, since the proposed study developed a list of the sources of happiness from responses collected through a nationally representative sample survey, it is expected to compile a comprehensive list of the sources of happiness.

And lastly, all earlier studies used either inductive category development approach or deductive category application approach. The proposed study used both the approaches which is expected to benefit from their combined strengths.

3. Methodology

The research adopted an explorative study design. The first phase of the study involved conventional content analysis (Hsieh & Shannon, 2005) of text data collected from a large cross-section of Bhutanese population aged 15 years and older using an open-ended question. After the text data has been categorised and coded, the second phase of the study involved quantitative-descriptive analysis of the data in the form of frequencies and proportions, which is referred to as the "quantitative analysis of qualitative data". The study used raw data from an existing database.

The data was sourced from an existing database containing a large nationally representative sample survey conducted in 2015 by CBS for constructing 2015 GNH index. The 2015 GNH survey was conducted involving a representative sample of 8,871 Bhutanese who were 15 years or older during the day of the interview. The survey covered all the 20 Dzongkhags[2]. The survey was designed to be nationally representative and also representative at rural-urban as well as Dzongkhag levels

[2] 'Dzongkhag' is a Dzongkha term for the district.

(CBS, 2016). The survey adopted multistage stratified random cluster sampling design and the sample selection was done in three stages – selection of rural chiwogs or urban blocks as PSU in the first stage, selection of households from selected PSUs in the second stage, finally selection of individuals who were above 15 years or older from the selected households. The total sample size of 8000, determined to yield representative estimates at rural and urban, and at the Dzongkhag level, was allocated to each Dzongkhag in the proportion proportional to the size of each Dzongkhag's population. However, for Dzongkhags that received less than 300 samples due to relatively small population size, the sample was increased to a minimum of 300 samples, except for Gasa Dzongkhag which was allocated only 200 samples to ensure reliable comparability with the results of 2010 GNH survey. Therefore, the final sample size was determined at 8,871 as noted above.

Because of the non-response and also due to exclusion of observations containing incomplete information, the final database contains only 7,153 sample of Bhutanese aged 15 years and older. The data was collected through face-to-face interview by trained enumerators under the supervision of researchers from CBS. The data collection took place from January 2016 to May 2016.

Of the 7,153 respondents, data on key variable for seven respondents were missing. Further five respondents were excluded from the analysis because of presence of unreadable or ambiguous data. Therefore, the final sample included for this analysis contains 7,141 respondents.

In terms of sex, 2,960 (41%) were males and 4,178 (59%) females. Three respondents reported their sex as 'Other'. By area of residence, 72 percent were from rural areas and remaining 28 percent from urban areas. The age of respondents ranged from 15 to 96 years, with mean and median age of 40.29 and 38 years respectively. Majority of the respondents has no formal education (58%).

The main variable of interest to this study, i.e., the sources of happiness, was collected using open-ended structured question: "*Please think deeply and tell me, what are the most important things (sources) that will make you lead a truly happy life?*" Respondents were asked to report a maximum of five things that they think would make them live a truly happy life.

Most people reported two sources of happiness (37.33%) followed by three sources (29.95%). About 13 percent of the respondents reported only one source of happiness while 14 percent and six percent reported four and five sources, respectively.

Of the 35,730 (7,146 respondents times five sources) total possible responses, the survey recoded 18,867 responses. However, a total of 17 responses were dropped from the final analysis because of presence of unreadable or incomprehensible data. The final category of the sources of happiness is developed based on 18,850 responses.

The data classification and coding preceded quantitative-descriptive analysis. In order to develop a list of the sources of happiness through inductive category development approach (Mayring, 2000), a subsample of 20 percent (n = 1,431) of the total respondents was randomly selected using simple random sampling (SRS) method. All the response items reported by these randomly selected respondents were read and reread to find out different themes. The themes that emerged from individual response items were classified into 42 categories. These categories capture higher conceptual level meanings than the individual response items. In order to make the categories into a manageable number, these 42 categories were then further grouped into 18 major categories to enable a meaningful data analysis and interpretation.

In the second stage, a deductive category application of content analysis was conducted for the response items of the rest 80 percent (n = 5,722) of the respondents. However, with the view towards developing a comprehensive list of the sources of happiness, it was decided to add new categories if distinctively new themes emerged from the response items of the remaining 80 percent of respondents. However, no new distinctive themes emerged during deductive category application approach to content analysis. To speed up the data categorisation and coding process in the second stage, statistical software, STATA version 14, was used in classifying and coding different responses.

Although, each response item was supposed to capture only one idea or construct, some response statement contains two or more distinct ideas or constructs in one statement. Ideally, the response item that contains two or more distinct ideas or constructs in one statement should have been bifurcated into separate units. This was not possible in this study due to time limitation. Therefore, for example, the response item "*having good drinking water supply and farm road accessibility*" which contains two unique constructs – "water supply" and "farm road" – was considered as one. And the code was assigned for the construct appearing first; in this example access to "*Drinking water"* was chosen and "*Farm road*" was ignored.

In order to enhance the reliability of categorisation, a sub-sample of 10 percent (n = 572) from the reaming 80 percent of the respondents were drawn using SRS. The responses of these 10 percent of the respondents were classified and coded by a second coder using the same coding categories developed in the first stage following inductive category development approach. An inter-rater reliability test, using Cohen's kappa (κ), was conducted and the inter-rater agreement score greater than 0.80 was decided to be taken as an acceptable threshold for this study. The κ between 0.81 – 0.99 is generally interpreted as having 'almost perfect agreement' (Viera & Garrett, 2005).

The coefficient of agreement for all five sources of happiness coding was above 0.83, which indicates very good level of agreement between the two coders. The κ value and associated significance levels are presented below for all five sources of happiness (Table 1).

Table 1: *Kappa statistics for five sources of happiness coded by two independent coders*

	Agreement	Expected Agreement	Kappa	Std. Err.	Z	Prob>Z
Happiness source 1	88.95%	11.65%	0.8749	0.0149	58.70	0.0000
Happiness source 2	92.20%	11.55%	0.9118	0.0156	58.32	0.0000
Happiness source 3	88.59%	10.76%	0.8721	0.0195	44.68	0.0000
Happiness source 4	86.51%	11.09%	0.8482	0.0307	27.66	0.0000
Happiness source 5	85.37%	13.56%	0.8307	0.0582	14.26	0.0000

To ensure descriptive validity, other researchers were consulted to get the multiple perspectives on the categories developed from the item responses. This process helped in reducing ambiguity and overlap among the categories which in turn ensured mutual exclusiveness of the categories developed.

Although the interpretive validity is usually ensured by getting feedbacks from the research participant, or by contacting research participants for additional information or clarification, it was not possible to perform either of these two options as the survey was conducted some two years back. However, the categories developed from the responses were kept as close to the actual response (source material) as possible to ensure interpretive validity.

After the data was cleaned, classified, and coded, quantitative-descriptive analysis was conducted. Descriptive statistics such as frequencies and proportions are presented for overall as well as at different socio-demographic subgroup levels are presented in the results section. The STATA statistical software, version 14, was used for data preparation and data analysis.

4. Results and Discussion

Following the two-stage data coding process described above, statements of the perceived sources of happiness reported by respondents were classified into 42 categories of the sources of happiness. These 42 categories were further aggregated into 18 major categories (Table 2). While the major categories are expected to provide broad picture of the construal of happiness, the sub-categories will help in devising practical policies and actionable programmes towards enhancing happiness.

Although the categories like ‘money, wealth, or financial security’, ‘health’, ‘relationships, or friendship’, ‘family’, and ‘spirituality, religion, or faith’ appeared in almost all other studies conducted elsewhere (Lu & Shih, 1997; Lee et al., 2000; Crossley & Langdridge, 2005; Kim et al., 2007; Jaafar et al., 2012; Primasari & Yuniarti, 2012; Leontiev & Rasskazova, 2014; Gunawardena, 2015; Sotgiu, 2016), categories such as ‘employment, education, and future success of significant others’, ‘access to facilities and services’ and ‘agricultural support and productivity’ are unique to this study. While the former can be explained by the collectivistic attitude associated with the Asian culture where the tendency to seek personal happiness is lower compared to western individualistic society (Uchida, Norasakkunkit, & Kitayama, 2004, p. 230), the latter two may be due to the stage of Bhutan’s current economic development. Although the access to most public facilities and services has been immensely improved since Bhutan embarked on the planned development since 1961, there are places where access to public facilities is inhibited due to geographical or climatic conditions. The citation of 'agricultural support and productivity' may be due to a large majority of Bhutanese who still live off the land. Other unique sources of happiness that emerged from this study are 'governance, leadership, & welfare' and 'national peace and security'. These two sources did not feature in any of the prior studies conducted elsewhere.

Table 2: *The perceived sources of happiness, Bhutan 2015*

Code	Major categories of happiness	Code	Sub-categories of happiness
01	Family & Family Relationships	0101 0102 0103	Family Family support Family relationships
02	Community Relationships	0201 0202 0203	Community relationships Friendship Safety in the community
03	Health & Well-being	0301 0302	Health (self) Mental peace
04	Health, Well-being & Happiness of Significant Others	0401 0402	Health (family) Happiness of family members
05	Money & Financial Security	0501 0502 0503	Financial security Basic needs Business success
06	Asset Ownership	0601 0602 0603 0604 0605	House Land Vehicle Agricultural machineries & Other HH equipment Livestock
07	Education, Employment & Job Satisfaction	0701 0702	Employment & Job satisfaction Education/learning/knowledge (self)
08	Education, Employment & Future Success of Significant Others	0801 0802 0803	Education/learning/knowledge (Children/other family member) Employment & Job satisfaction (Children/other family members Children's future
09		0901	Drinking water

Code	Major categories of happiness	Code	Sub-categories of happiness
	Access to Facilities & Services	0902 0903 0904 0905 0906 0907	Health facilities Education facilities Electricity Road & related infrastructure Transport & communication facilities Other facilities/infrastructure/services, n.e.c
10	Agricultural Productivity & Support	1001 1002 1003 1004	Agricultural productivity Agriculture/Livestock facilities & services Irrigation water Crop protection from wild animals
11	Independence & Autonomy	1101	Independence/autonomy
12	Spiritual & Religious Pursuits	1201	Spiritual/religious activities
13	Peace and Security of the Country	1301	Peace & security of the country
14	Governance, Leadership, & Welfare	1401	Governance, Leadership, & Welfare
15	Principles & Responsibilities	1501	Principles & responsibility
16	Social & Leisure Activities	1601	Social & leisure activities
17	Clean Environment	1701	Clean environment
18	Others, n.e.c	1801	Others

Note: *n.e.c = not elsewhere classified*

The most frequently cited source of happiness among 18 major categories of the sources of happiness is 'money and financial security'. Of the 18,850 statements or responses, 19.6 percent were related to 'money and financial security'. Other frequently cited sources of happiness are 'health and wellbeing' (13.5%), 'asset ownership' (11.9%), 'family and family relationships' (11.2%), 'access to facilities and services' (11.1%), 'education, employment and future success of significant others' (8.8%), and 'education, employment and job satisfaction' (7.2%). The remaining 11 categories accounted for about 17 percent of the total responses.

The citation of the 'education, employment and future success of significant others' as a source of happiness is unique to Bhutan. The fact that this has even higher citation compared to one's own 'education, employment and job satisfaction' suggest that Bhutanese are more other-oriented and derive happiness from the successes of significant others. The citation of different sources of happiness expressed as a percentage of total responses is presented below (see Fig. 1).

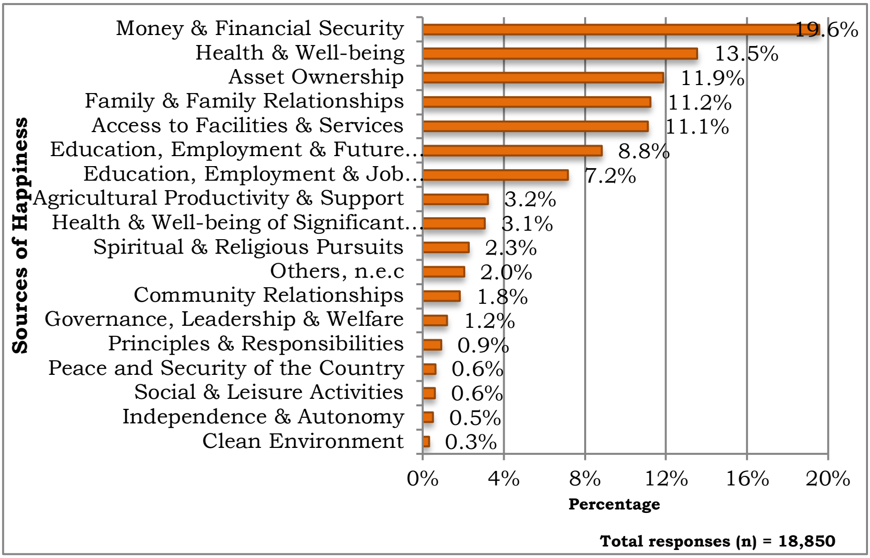

Figure 1: *Distribution of the sources of happiness (as % of total responses), Bhutan: 2015*

The study also found some significant gender differences in terms of citation of sources of happiness. Of the 18 sources of happiness, significant difference between males and females was observed in 15 categories with level above 0.05. Although the most cited sources of happiness for both male and female is ‘money and financial security’, relatively fewer males cited it as the source of happiness compared to females. For instance, about 21 percent of the total responses of females is ‘money and financial security’ compared to 18 percent for the males (see Table 2 and Annexure 2). This finding is inconsistent with the findings of Fave et al. (2016) where they reported men as being more likely to refer to material conditions while defining happiness though the study is slightly different.

Significantly higher proportion of females compared to males cited ‘family and family relationships’, ‘health and well-being’, ‘health and well-being of significant others’, and ‘education, employment and future success of significant others’ as sources of happiness. The higher citation of sources of happiness such as ‘health and well-being of significant others’ and ‘education, employment and future success of significant others’ by females indicate women’s motherly nature in ensuring the well-being and happiness of family members. Moreover, this result also corroborates with earlier findings where women are found to be more other-oriented than men (Kite, Deaux, & Haines, as cited in Cuddy et al., 2015; Wood & Eagly, as cited in Cuddy et al., 2015) although such differences depends on nation’s cultural values (Cuddy et al., 2015).

On the other hand, more males, compared to females, cited ‘community relationships’, ‘asset ownership’, ‘access to services and facilities’, ‘agricultural productivity and support’, ‘peace and security of the country’, and ‘governance, leadership, and welfare’ as the sources of happiness.

Sources of happiness such as ‘education, employment and job satisfaction’, ‘independence and autonomy’, and ‘spiritual and religious pursuits’ seem to be gender neutral. There is no statistically significant difference between males and females in the proportion of people citing the latter three sources of happiness (see Table 3).

Table 3: *Frequency of citation of different sources of happiness, by sex, Bhutan: 2015*

Sources of happiness	Male (n =2,960)		Female (n=4,178)		***z***
	f	***p***	***f***	***p***	
Family & Family Relationships	740	0.09	1,377	0.12	-6.52***
Community Relationships	177	0.02	169	0.02	3.67***
Health & Well-being	913	0.12	1,637	0.15	-6.32***
Health & Well-being of Significant Others	216	0.03	364	0.03	-2.13**
Money & Financial Security	1,408	0.18	2,280	0.21	-4.61***
Asset Ownership	1,040	0.13	1,196	0.11	5.07***
Education, Employment & Job Satisfaction	569	0.07	784	0.07	0.40
Education, Employment & Future Success of Significant Others	563	0.07	1,104	0.10	-7.44***
Access to Facilities & Services	1,057	0.14	1,036	0.09	8.83***
Agricultural Productivity & Support	314	0.04	295	0.03	5.10***
Independence & Autonomy	38	0.00	59	0.01	-0.47
Spiritual & Religious Pursuits	196	0.03	234	0.02	1.72*
Peace and Security of the Country	71	0.01	49	0.00	3.93***
Governance, Leadership & Welfare	145	0.02	81	0.01	6.94***
Principles & Responsibilities	91	0.01	82	0.01	2.97**
Social & Leisure Activities	63	0.01	52	0.00	2.89**
Clean Environment	36	0.00	22	0.00	3.18***
Others, n.e.c	190	0.02	196	0.02	3.10***
Total (citations)	7,827	1.00	11,017	1.00	

**p<0.1; **p<0.05; ***p <0.01*

The results also reveal the existence of significant difference between rural and urban respondents in citation of the sources of happiness, except 'spiritual or religious pursuits' (Table 4). More rural respondents, as compared to urban, cited 'asset ownership', 'access to facilities and services', and 'agricultural productivity' as the sources of happiness. On the other hand, more urban residents reported 'education, employment, and job satisfaction', 'family and family relationships', 'health and wellbeing', and 'clean environment' than rural respondents.

Table 4: *Frequency of citation of different sources of happiness, by area of residence, Bhutan: 2015*

Sources of Happiness	Rural (n = 5,121)		Urban (n = 2020)		***z***
	f	***p***	***f***	***p***	
Family & Family Relationships	1418	0.10	700	0.14	-6.84***
Community Relationships	227	0.02	119	0.02	-3.20***
Health & Well-being	1730	0.13	823	0.16	-6.61***
Health & Well-being of Significant Others	410	0.03	170	0.03	-1.36**
Money & Financial Security	2,646	0.19	1,043	0.21	-2.19**
Asset Ownership	1,792	0.13	445	0.09	7.90***
Education, Employment & Job Satisfaction	796	0.06	557	0.11	-12.34***
Education, Employment & Future Success of Significant Others	1152	0.08	515	0.10	-3.91***
Access to Facilities & Services	1,960	0.14	133	0.03	22.43***
Agricultural Productivity & Support	598	0.04	11	0.00	14.17***
Independence & Autonomy	56	0.00	41	0.01	-3.44***
Spiritual & Religious Pursuits	315	0.02	115	0.02	0.05
Peace and Security of the Country	78	0.01	42	0.01	-2.02**
Governance, Leadership & Welfare	152	0.01	74	0.01	-2.01**
Principles & Responsibilities	113	0.01	60	0.01	-2.34**
Social & Leisure Activities	71	0.01	44	0.01	-2.77**
Clean Environment	28	0.00	30	0.01	-4.28***
Others, n.e.c	248	0.02	138	0.03	-3.99***
Total	13,790	1.00	5,060	1.00	

**p<0.1; **p<0.05; ***p <0.01*

The results also indicate association between the age and sources of happiness. For respondents between 20–64 years of age, 'money and financial security' is the most frequently cited source of happiness. This could be because it is the age when people are responsible for the material wellbeing of other family members, especially children and old age dependents. On the other hand, 'education, employment and job satisfaction' is the most frequently cited source of happiness for those under 20 years of age. For those who are 70 years and above, 'health and wellbeing' is the most frequently cited sources of happiness (see Annexure 3). This could be because with age, the health of individuals deteriorate and the increasing health issues related to aging may be impacting ones overall sense of wellbeing.

The citation of particular source of happiness changes with the change in age. For instance, about 29 percent of those in 15-19 years old reported 'education, employment and job satisfaction' as the source of happiness while less than two percent of those who are 75 years and older reported the same (as represented by dotted line in the Fig. 2). The reverse is the case with the 'spiritual and religious pursuits' where higher proportion of those in older age groups, as compared to younger generation, reported it as the source of happiness (as represented by line with triangle marker in the Fig. 2). For instance, only about 0.2 percent of those in 15-19 years old reported 'spiritual and religious pursuits' as source of happiness while over 10 percent of those who are 75 years and older reported the same.

The 'education, employment, and future success of significant others' as a source of happiness is reported more by those aged 25 – 59 compared to below 25 and above 59 years of age (as represented dotted line with square marker in the Fig. 2). Similarly, relatively higher people from middle age groups reported 'money and financial security' as the source of happiness compared to younger and older age groups.

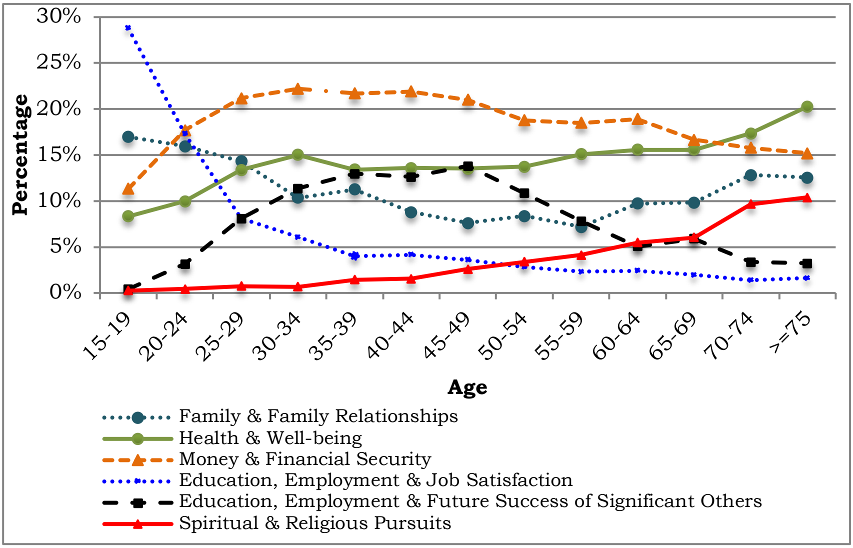

Figure 2: *Citation of different sources of happiness (as % of total responses), by age, Bhutan: 2015*

The citation of sources of happiness also differs by the level of education of respondents. Except for respondents with higher secondary education and postgraduate level education, 'money and financial security' is the most frequently cited sources of happiness. The most frequently cited source of happiness for those with higher secondary education is 'employment, education, and job satisfaction' while 'family and family relationships' is the most cited source of happiness for those with postgraduate level education (see Annexure 4). The citation of selected sources of happiness by educational level is also presented graphically (see Fig. 3).

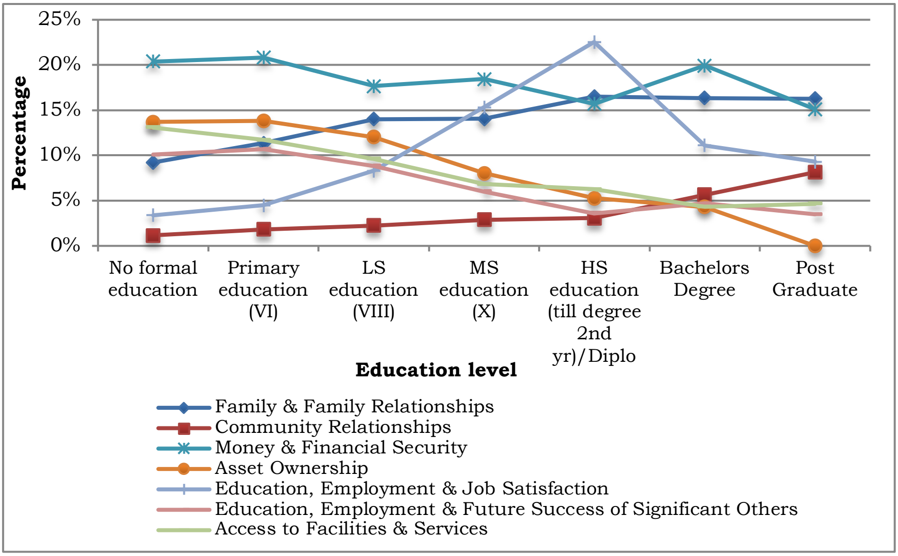

Figure 3: *Citation of different sources of happiness (as % of total responses), by education level, Bhutan: 2015*

5. Recommendations

The results indicate significant differences in citation of the sources of happiness by gender, area of residence, age and level of education of people. For targeted policy and programme intervention towards increasing happiness, these differences should be noted while planning development programme. Specifically, the continued economic development targeted at poverty reductions, enhanced access to improved health care services, and improved access to other public services would increase people's happiness as these are the most frequently cited sources of happiness.

The results, unlike studies conducted elsewhere, showed that significant number of respondents believe that 'education, employment, and future success of significant others' would make them happy. This indicates the importance parents attach to children's education. Similar results were also reported where Koreans were found to attach very high importance to children's education (Kim et al., 2007, p. 284). Therefore, strengthening education system and creating employment opportunities for children may lead to increase in happiness of both parents as well as children.

A follow up study to assess the importance people attach to each of these categories of sources of happiness using a Likert scale type response options may be carried out as done elsewhere (Lee et al., 2000; Kim et al, 2007) to prioritise while program planning and implementation.

Some of the sources of happiness such as clean environment, independence and autonomy, social and leisure activities, and peace and security of the country were cited by very few people. Nonetheless, these factors are very important for people to pursue happiness, and therefore, should not be neglected. Lee et al. (2000) found that most frequently cited categories were also the ones that scored least on the importance rating indicating that not all things that people think important necessarily give them happiness and vice versa.

6. Limitations of the study

Although, the response item that contains two or more distinct ideas or constructs together should have been bifurcated into separate units; this was not possible in this study due to time limitation. For example, the response item "*having good drinking water supply and farm road accessibility*" which contains two unique constructs – "water supply" and "farm road" – was considered as one. And the code was given for the construct appearing first; in this example access to "*Drinking water*" was chosen and "*Farm road*" was ignored. However, since the database contain very few numbers of such cases, it will not significantly affect the results as the question was designed to capture only one idea or construct.

The relevance of the study findings, for some cases, may have been lost due to the long intervening time period between the data collection and the analysis and report production. Since the data is already over two years old, some of the findings many not hold true due to rapid socio-economic changes that took place during these intervening years in Bhutan.

The survey, from which the data for the current study was sourced, had not included those below 15 years of age in the sample. Therefore, the views of younger generation of Bhutanese may not be represented and would require additional data collection to adequately capture the views of children below 15 years of age.

And finally, these findings are based on people's perception of what things will make them live a happy life. Since people are limited in their thoughts, fulfillment of these conditions or sources of happiness may not bring them lasting happiness.

8. Conclusions

The interest in understanding human happiness and how public policy can influence it has been growing around the world. However, most studies tried to understand happiness through the study of socio-economic and personal characteristics associated with the subjectively assessed happiness measures. This study, therefore, attempted to understand the things that Bhutanese think would make them happy: the perceived sources of happiness. Although many such studies has been conducted in different parts of the world, this study add new insights into the understanding of the sources of happiness from the perspectives of Bhutanese people who belong to a different socio-economic milieu.

Some of the sources of happiness reported here such as money, health, relationships, family, and spirituality share similarities with those found elsewhere, sources of happiness such as employment, education, and future success of significant others, access to facilities and services, and agricultural support and productivity are unique to this study.

The data also suggest that the sources of happiness vary by socio-demographic background of people. Therefore, it would be important to see how the sources of happiness vary based on other economic and social conditions of the people. Such study would be helpful for designing public policies aimed towards increasing happiness of people.

And finally, since CBS already possesses three older databases corresponding to year 2007, 2008, and 2010 containing comparable information, it would be interesting to conduct similar studies to track the changes in citation of the sources of happiness.

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Appendices

Annexure 1: *Lists of the sources of happiness identified by different studies around the world*

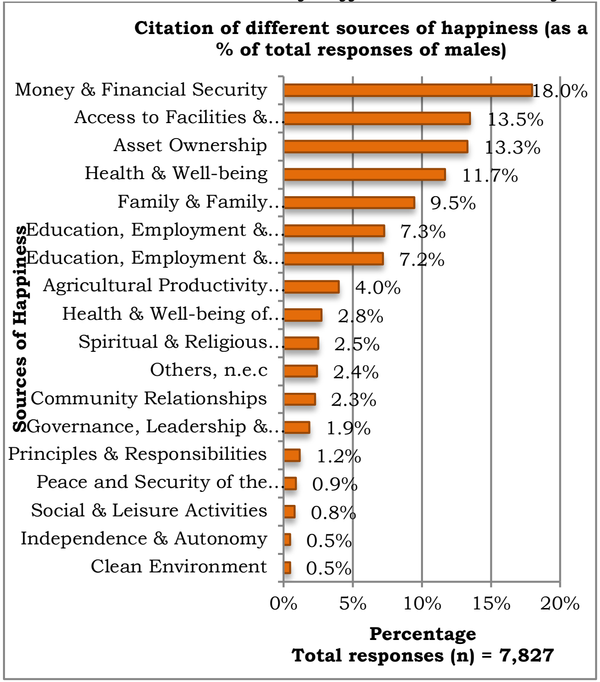
Author/ Year	List of the sources of Happiness		Author/ Year	List of the sources of Happiness
Choden, Kusago, and Shirai (2007).	1. Financial security 2. Good family life and wellbeing of family 3. Good health 4. Resources for farm production 5. Access to basic facilities 6. Personal development and education 7. Faith and spiritual pursuits 8. Employment & job satisfaction 9. Good governance & welfare system 10. Good inter-personal relations 11. Principles & responsibility 12. Community vitality 13. Country's peace & security 14. Recreation 15. Mental peace		Lu and Shih (1997)	1. Gratification of need for respect 2. Harmony of interpersonal relationships 3. Satisfaction of material needs 4. Achievement at work 5. Being at ease with life 6. Taking pleasure at others' expense 7. Sense of self-control and self-actualization 8. Pleasure and positive affect 9. Health.

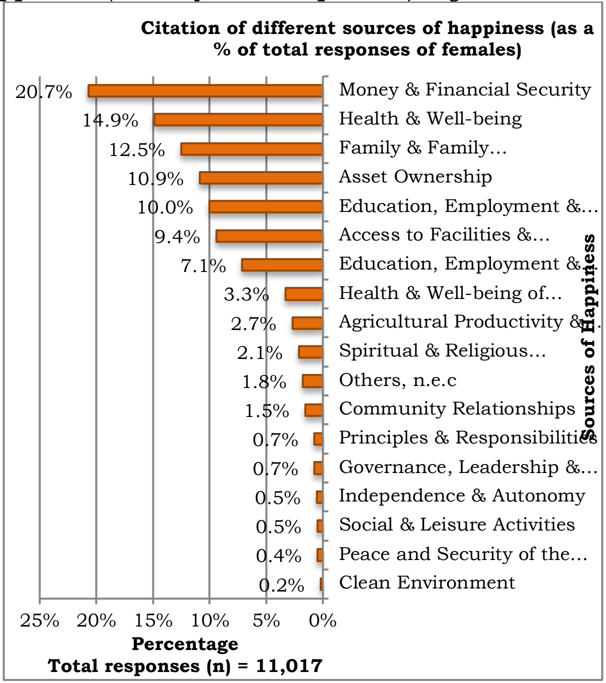
Lee, Park, Uhlemann, and Patsula (1999)	1. Family 2. Relationship with significant others 3. Financial/materialistic 4. Independence/autonomy 5. Spiritual/religious 6. Goal/mission in life 7. Stress-free, worry-free life 8. Health 9. Competence/ability 10. Recognition by others 11. Knowledge 12. Altruistic behaviour 13. Creativity 14. Artistic		Crossley and Langdridge (2005)	1. Comfortable financially 2. Being rich 3. Close family 4. Self respect 5. Self confidence 6. Hobbies 7. Sports 8. Physically fit 9. Healthy/Well 10. Close relationships 11. No bereavement 12. Network of friends 13. Constantly challenged 14. Travelling 15. Sexual activity 16. Good social life 17. Being liked 18. Choices/Career 19. Physically attractive 20. Content in religion 21. Helping others 22. Live long time 23. Well fed 24. Free of stress 25. No family problems 26. Always improving 27. Having meaning 28. Use of alcohol/drugs 29. Loved by loved ones 30. Romantic love 31. Daily occupation 32. Weather

Kim, Kim, Cha, and Lim (2007)	1. Money 2. Self-acceptance 3. Leisure 4. Social status 5. Purpose in life 6. Autonomy 7. Social environment 8. Religion 9. Helping others 10. Relationship with children 11. Relationship with parents 12. Intimate relationship 13. Relationship with others 14. Appearance 15. Positive attitude 16. Health		Jaafar et al. (2012).	1. Family 2. Social relationships/intra and interpersonal relationships 3. Self autonomy/freedom/self –fulfillment 4. Career/Achievement at work 5. Wealth 6. Recreation needs 7. Absence from negative feelings 8. Education 9. National prosperity, peace 10. Religious/spiritual needs 11. Health 12. Physiological/Basic needs
Primasari and Yuniarti (2012)	1. Family 2. Achievement 3. Spirituality 4. To love and be loved 5. Friends 6. Leisure time 7. Money 8. Others		Gunawardena (2015)	1. Family 2. Career / Achievement at work 3. Wealth 4. Self autonomy/freedom / self – fulfillment 5. Social Relationships/intra and interpersonal relationships 6. Absence from negative feelings 7. Recreation needs 8. Health 9. Education 10. Religious / Spiritual needs 11. National prosperity, peace 12. Physiological / Basic needs

Leontiev and Rasskazova (2014)	1. Health 2. Family 3. Money 4. Friendship 5. Love 6. Work 7. Success 8. Self-actualisation 9. Values 10. Pleasant events 11. Positive emotions 12. Good effective relationships 13. Serenity and well-being 14. Partner 15. Faith 16. Helping others 17. Sex 18. Absence of unpleasant events 19. Home 20. Hobbies 21. Culture and knowledge		Sotgiu, (2016)	1. Family 2. Friendship 3. Love 4. Health 5. Self-actualization 6. Good social relationships 7. Success 8. Self-knowledge 9. Money 10. Values and virtues 11. Goals 12. Partner 13. Hobbies and interests 14. Serenity/well-being 15. Positive emotions 16. Pleasant events 17. Work 18. Knowledge/education 19. Helping others 20. Environmental mastery 21. Autonomy 22. Absence of unpleasant events 23. Faith 24. Pets 25. Luck 26. Sex

Annexure 2: *Citation of different sources of happiness (as % of total responses), by sex*





Annexure 3: *Citation of different sources of happiness (as % of total responses), by age*

Source of happiness	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40-44**	**45-49**	**50-54**	**55-59**	**60-64**	**65-69**	**70-74**	**>=75**	**Total**
Family & Family Relationships	17.0	16.0	14.3	10.4	11.2	8.8	7.6	8.4	7.2	9.7	9.8	12.8	12.5	11.2
Community Relationships	3.7	3.0	1.6	1.5	1.8	1.6	1.6	1.7	1.5	1.4	1.2	1.2	0.3	1.8
Health & Well-being	8.3	10.0	13.4	15.0	13.4	13.6	13.5	13.7	15.1	15.6	15.6	17.4	20.3	13.5
Health & Well-being of Significant Others	4.4	3.3	3.3	2.8	2.8	3.7	2.5	3.0	2.1	2.8	3.5	2.8	3.7	3.1
Money & Financial Security	11.3	17.7	21.2	22.2	21.7	21.9	21.0	18.8	18.5	18.9	16.6	15.8	15.2	19.6
Asset Ownership	5.8	9.2	11.3	12.1	13.1	12.9	13.0	13.4	14.2	13.1	12.7	11.4	11.2	11.9
Education, Employment & Job Satisfaction	28.8	17.3	8.1	6.1	4.0	4.2	3.6	2.8	2.3	2.4	2.0	1.4	1.6	7.2
Education, Employment & Future Success of Significant Others	0.4	3.2	8.1	11.4	13.0	12.6	13.8	10.8	7.8	5.1	5.9	3.4	3.2	8.8
Access to Facilities & Services	7.8	9.2	10.1	10.0	10.3	10.3	11.3	12.6	15.5	14.4	17.1	11.0	13.3	11.1
Agricultural Productivity & Support	0.4	1.5	1.7	2.8	2.6	3.0	3.8	5.8	6.0	6.4	4.2	6.1	3.5	3.2
Independence & Autonomy	1.6	1.4	0.7	0.5	0.2	0.3	0.2	0.2	0.3	0.0	0.0	0.2	0.0	0.5
Spiritual & Religious Pursuits	0.2	0.4	0.8	0.7	1.5	1.5	2.6	3.4	4.1	5.5	6.1	9.7	10.4	2.3
Peace and Security of the Country	0.2	0.5	0.5	0.5	0.4	0.7	0.9	1.1	0.6	0.9	0.8	0.6	1.6	0.6
Governance, Leadership, & Welfare	0.7	1.3	0.8	0.9	0.7	1.5	1.8	1.7	1.2	1.5	1.7	1.4	1.3	1.2
Principles & Responsibilities	3.6	1.9	0.9	0.5	0.7	0.6	0.5	0.7	0.4	0.4	0.8	0.4	0.0	0.9
Social & Leisure Activities	1.7	1.1	0.7	0.5	0.4	0.8	0.1	0.2	0.3	0.2	0.3	1.4	0.5	0.6
Clean Environment	0.6	0.3	0.4	0.3	0.2	0.3	0.2	0.2	0.4	0.2	0.3	0.2	0.3	0.3
Others, n.e.c	3.3	2.7	2.0	2.0	1.8	1.7	1.9	1.4	2.4	1.5	1.5	3.0	1.1	2.0
Total	100	100	100	100	100	100	100	100	100	100	100	100.	100	100

Annexure 4: *Citation of different sources of happiness (as % of total responses), by education level*

Source of happiness	No formal education	Primary education	LS education	MS education	HS education	Bachelors Degree	Post Graduate	Total
Family & Family Relationships	9.2	11.4	14.0	14.1	16.5	16.4	16.3	11.2
Community Relationships	1.2	1.8	2.3	2.9	3.1	5.6	8.1	1.8
Health & Well-being	14.2	11.9	12.6	13.7	12.1	13.3	12.8	13.5
Health & Well-being of Significant Others	3.0	3.1	2.9	3.2	3.2	3.6	2.3	3.1
Money & Financial Security	20.4	20.8	17.7	18.4	15.7	19.9	15.1	19.6
Asset Ownership	13.7	13.8	12.0	8.0	5.3	4.3	0.0	11.9
Education, Employment & Job Satisfaction	3.4	4.5	8.3	15.3	22.5	11.1	9.3	7.2
Education, Employment & Future Success of Significant Others	10.1	10.7	8.8	6.0	3.6	4.7	3.5	8.8
Access to Facilities & Services	13.1	11.7	9.6	6.8	6.2	4.3	4.7	11.1
Agricultural Productivity & Support	4.4	2.9	1.6	1.5	0.3	0.2	1.2	3.2
Independence & Autonomy	0.2	0.4	0.3	1.4	1.6	0.8	1.2	0.5
Spiritual & Religious Pursuits	3.0	1.8	1.6	0.9	0.6	1.5	2.3	2.3
Peace and Security of the Country	0.6	0.7	0.8	0.7	0.7	0.9	2.3	0.6
Governance, Leadership & Welfare	1.1	1.5	1.1	1.1	1.2	2.3	1.2	1.2
Principles & Responsibilities	0.3	0.7	2.5	1.5	2.5	2.4	3.5	0.9
Social & Leisure Activities	0.3	0.5	1.0	1.0	1.0	2.3	3.5	0.6

Clean Environment	0.1	0.3	0.3	0.6	0.6	0.9	3.5	0.3
Others, n.e.c	1.6	1.6	2.6	2.7	3.2	5.5	9.3	2.0
Total	100	100	100	100	100	100	100	100

Corporate Social Responsibility Practice in Bhutan

Jigme Phuntsho[*] *and Sonam Zangmo*[†]

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)[1]. 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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1 https://www.adb.org/sites/default/files/linked-documents/cps-bhu-2014-2018-psa.pdf

Table 2: *Composition of the private sector*[1]

Industrial establishments	2000	2002	2004	2006	2008	2010	2012	2014
Sector								
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
Size								
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
Type								
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
All industries	**9,016**	**13,908**	**15554**	**24505**	**28073**	**32,360**	**37,282**	**42,799**

[1] 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 difficultly 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 maximisition 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".[1] 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

[1] 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*

Company	CSR charitable contribution budget allocation per year
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 NRDCL 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[2]. 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%)[3], 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*

	% of PAT (2012)	% of PAT (2013)	% of PAT (2014)
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%

[2] Figures for 2014 has been taken for comparative purpose

[3] 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.[4] 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**	
DHI-owned companies				
DHI	6/9	0	1.50	0.56%
DGPC	9/9	0.25	0.75	0.65%
Bhutan Power Corp.	7/10	0	1.75	0.73%
Bhutan Telecom	8/8	0.25	0.75	0.53%
Drukair Corp.	1/4	0	0.50	0.15%
NRDC	5/5	0.75	1.25	1.60%
Construction Dev. Corp.	2/6	0	0.75	0.36%
DHI-controlled companies				
BoB	6/6	0.25	1.5	0.97%
STCB	3/5	0	1.25	0.70%
DHI-linked companies				
BNBL	5/8	0	7.5	0.99%
Other public companies				
Druk PNB	6/7	0	0.5	1.00%

[4] 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*

Company	Year	Activity
DHI	2015	1. Supported Jigten Wangchuk Tshogpa in conducting the 3-day ceremony of Zhabdrung Kuchoe in Punakha 2. Contributed for the construction of Ney-khang at Ngangla

Company	Year	Activity
	2016	1. Donated to Pel Chitok Phuentsho Rabtenling Shedra for Chitokha lhakhang renovation, Wangdue 2. Supported Padling Choeki Ga Tshal to conduct the yar-ngo mar-ngo tsechu and choe-shey program in Thimphu
	2017	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 2. Contributed for Dhuduling monastery for construction of Gura Statue 3. Contributed to Chokorling monastery to consecrate Thongdrel 4. Contributed to Hindu Dharma Samudaya 5. Contributed to Tango University for painting of monastery wall 6. Contributed to Wangchang gewog, Paro for Kanjur recitation
BoB	2012	1. Contributed to Wangdue Rabdhey and Wangdue Dzongkhag 2. Contributed to Sherubtse students for thongdrol embroidery 3. Contributed to religious book printing
	2015	1. Employees volunteered in construction of Rangshikhar Goenpa in Trashigang
	2017	1. Offered financial support to offer Ku-Sung Thug Ghi Mendrel to HH the Je Khenpo during Oral transmission of Kanjur at Kuenselphodrang.
BNB	2011	1. Donated Nu.50,000 for construction of Thongdrel at Rinpong Dzong
	2017	1. Sponsored meals/offering worth Nu.400,000 for Kangyur Oral Transmission at Kuensel Phodrang.
	2016 - 2017	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

Company	Year	Activity
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 Monastry 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).[5] 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

[5] 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*

Company	Year	Causes supported
DHI	2015	1. Donated to support the old age homes at Begana, Thimphu 2. Supported the Taktse community to construct a house for a destitute family at Kumiding village, initiated by the ILCS
BoB	2012	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.
	2014	1. Provided 25 elderly people residing at Begana Lhakhang with rice, cooking oil, blankets, jackets, gho and kira 2. Supported Thimphu Thromde's initiative to reduce stray dog population for safer community through mass sterilization and vaccination campaigns
	2015	1. Supported tbe Badum project initiated by YDF
BNB	2011	1. Donated Nu.50,000 for Human Wildlife Conflict Mangement Endowment Fund 2. Donated Nu. 250,000 for medical treatment
	2012	1. Donated Nu. 230,000 for medical treatment 2. Donated Nu. 50,000 to Ability Bhutan Society for disabled children
	2015	1. Employees contributed labour for the Tshalumphey Project, Thimphu
	2017	1. Donated Nu. 2,250,000 to Tarayana Foundation for the construction of 30 houses in Jurme Gewog, Mongar.
BPC	2017	1. Donated Nu.350,000 to Tarayana Foundation for construction of 10 houses for needy people
BT	2010-2012	1. Provided free bulk SMS for social messages like education and blood donations
	2013	1. Donated to RENEW and Tarayana Foundation

Company	Year	Causes supported
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[6]
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 establisment of DHI Companies Research Resource Center in Gaeddu College to enhance industry-academia colloboration.
	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

[6] BOB organizes blood donation camp every year since 2012 coinciding with the World Blood Donors Day on 14th June

Company	Year	Activity
		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 Bussiness 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	Funded 13 underprivileged girls through "BoB Needs based Scholarship" (Nu. 335,000)
	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[7]
DHI	2015	Contributed Nu.2.5 M for the construction of "Recreational Park" at Dochula
	2016	Contributed to the 2nd International Taekwondo Championship and 1st 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 partiticipated 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-	Sponsored India House golf tournament
	2014-	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.

[7] 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 60th 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,[8] Birthday and Coronation Day of His Majesty the King,[9] Royal Highlander Festival,[10] Social Forestry Day,[11] etc.

Table 13: *Contributions during national celebrations*

Celebration	Year	Company	Activity	Nu in M
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.	

8 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

9 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

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

11 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

Celebration	Year	Company	Activity	Nu in M
	2016	BoB	Offered butter lamps and distributed sweets to all branches for further distribution to the clients.	
60th 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*

Company	Year	Activities
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*

Company name	Fund support (Nu. in m)	Location	Area (ha)
Bank of Bhutan Ltd	0.745	Sangaygang, Thimphu	4
Bhutan Power Corporation Ltd.	0.748	Chendebji, 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*

Year	Company	Events
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[12]
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,

[12] 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).[13] 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,[14] 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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[13] Campbell, Moore & Metzger (2002) have used net profit before tax.

[14] 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

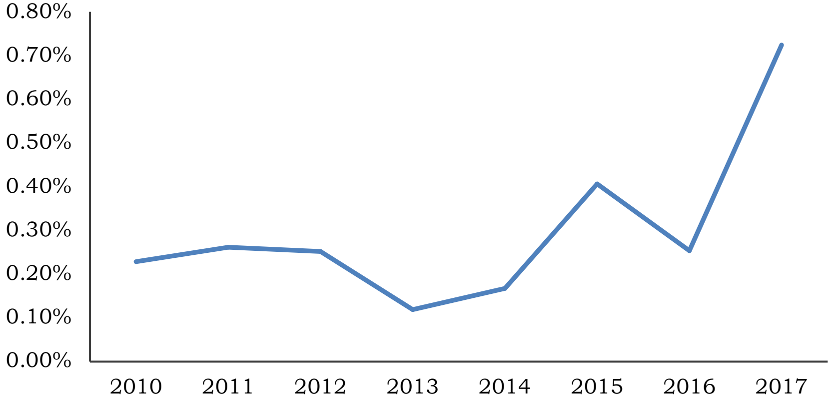

Figure 1: *Generosity ratio, averaged for DHI, BT, DGPC, and BPC, from 2010-2017*

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 (%)*[15]

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

[15] 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.

[16] 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.

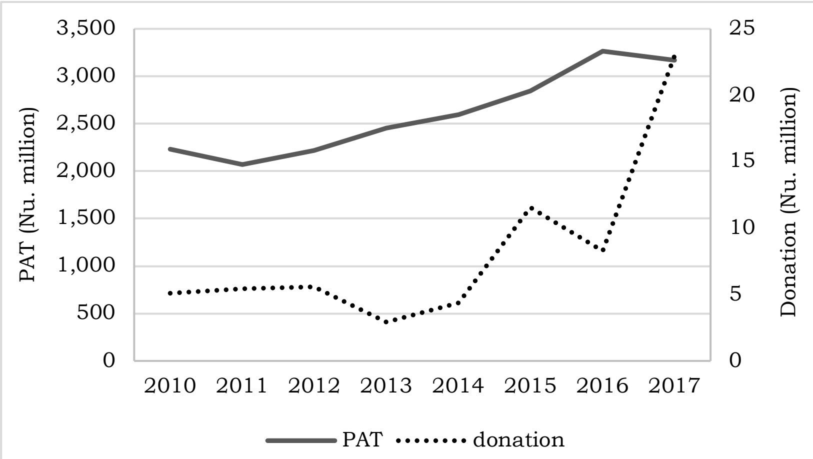

Figure 2: *Average net profit and donation for DHI, BT, DGPC, and BPC*

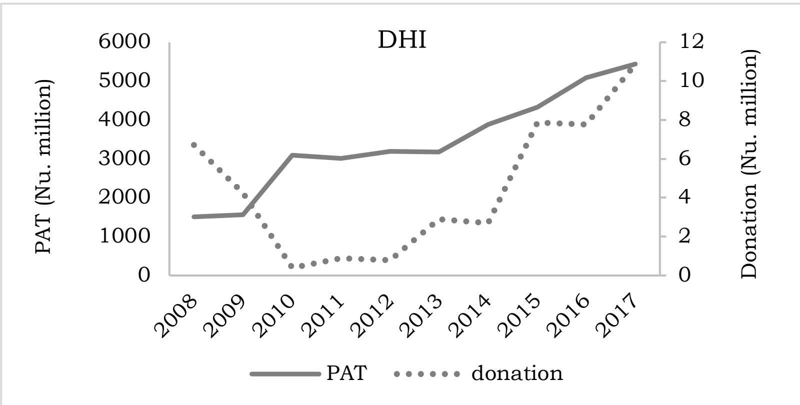

Figure 3: *Average net profit and donation for DHI*

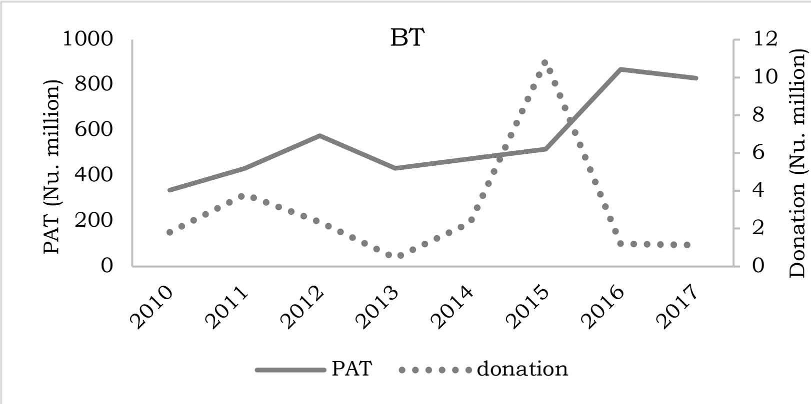

Figure 4: *Average net profit and donation for BT*

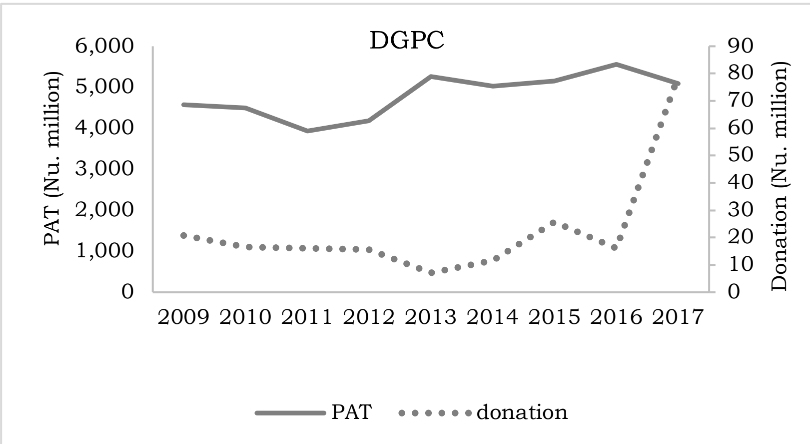

Figure 5: *Average net profit and donation for DGPC*

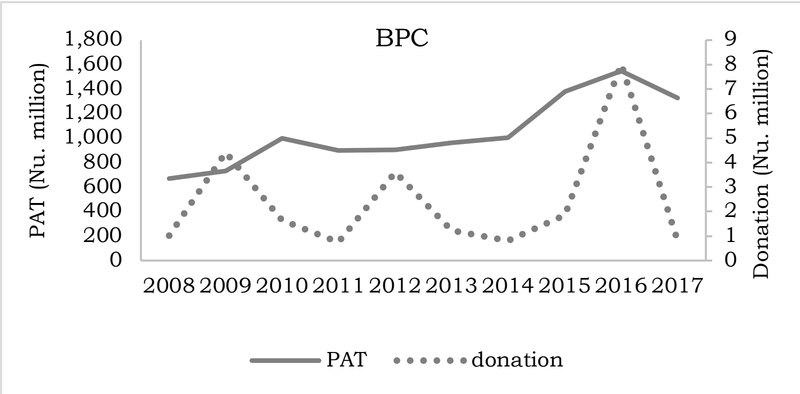

Figure 6: *Average net profit and donation for BPC*

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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