

# Creative Destruction in the Culture of Charity is Needed in Asia

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## Abstract

This paper discusses the reasons why a disparity in commitment to charitable giving exists between two regions : the East and the West. In explaining the regional difference, this paper particularly focuses on the social, economic, and political factors forming the trend?for instance, Asians' deep-rooted distrust in charity foundations and the lack of government policies incentivizing philanthropic giving in Asia. After analyzing why and how significantly Asia lags behind in charity compared to other parts of the globe, the paper proves that "creative destruction" is needed in the Asian philanthropy market. Additionally, this paper shows that it is an opportune time for an innovative start-up to introduce a new form of technology, an easy-to-access application with registered partnership foundations, thereby introducing creative destruction in the culture of charity in Asia. This paper finally examines the obstacles this start-up may face as it tries to grow into a monopoly and the socio-political implications it may bring to the world.

■ Keywords: Creative destruction, Culture of Charity, Philanthropy, Innovation, Application

## I. Introduction

With the world becoming increasingly integrated, charity has expanded from addressing domestic affairs to global issues. Worldwide, areas struck by civil war, poverty, famine, and natural disasters are in desperate need of aid. Internationally, various organizations have been providing help and trying to alleviate these issues. For instance, charities, namely Jusoor, Karam Foundation, and Save the Children, have been dedicating themselves to relieving the Syrian refugee crisis (Kawadri, 2018). Other philanthropic organizations such as Oxfam and Bill & Melinda Gates Foundation (BMGF) have been engaging in mitigating poverty, an old, yet still persistent, international problem(Borgen Project, 2018).

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One significant point that should not be overlooked is that the foundations mentioned above are all from the Western part of the globe. Jusoor, Karam Foundation, and the Bill & Melinda Gates Foundation (BMGF) are all American nonprofit organizations (Chepkemoi, 2017 ; Jusoor, 2019 ; Karam Foundation, 2019). Likewise, Save the Children and Oxfam are both based in the United Kingdom (Oxfam, 2019 ; Save the Children, 2019). The sheer number of renowned charity organizations from the West indicates that the Western part of the world has been more actively engaging in philanthropic activities than its Eastern counterpart. Before this paper dwells deeper into analyzing the disparity between the East and the West in their participation in charity and philanthropy, it is vital to thoroughly understand the terms “charity” and “philanthropy.” Steve Gunderson, former president of the Council on Foundations, helped distinguish the two words : Charity tends to be a short-term, emotional, immediate response, focused primarily on rescue and relief, whereas philanthropy is much more long-term, more strategic, focused on rebuilding. There is charity, which is good, and then there is problem-solving charity, which is called philanthropy (LinkedIn, 2019). In this paper, the two terminologies-“charity”and “philanthropy” -are going to be utilized interchangeably regardless of their definitional differences as they are both subsets of generous giving, which is the main theme of this paper.

Although the gap between the West and the East’s dedication to philanthropy has been reducing recently with an increasing number of non-Western foundations emerging, the stark imbalance continues. This is particularly alarming because such an imbalance has and will hinder further improvements in the well-being of people in certain regions. Furthermore, due to the lack of participation in philanthropy by non-Western societies, the Sustainable Development Goals (SDGs) set by the United Nations (UN) have become increasingly difficult to attain globally (Fisher, 2018). In light of these problems, this paper will discuss the reasons why a disparity in commitment to charitable giving exists between the two regions: the East and the West. In explaining the regional difference, this paper will focus especially on the social, economic, and political aspects behind the trend-for instance, Asians’ deep-rooted distrust in charitable foundations (Shapiro, 1970) and the lack of government policies incentivizing philanthropic giving in Asia (TAN and LAM, 2017).

After analyzing why and how significantly Asia lags behind in charity compared to other parts of the globe, this paper will prove that “creative destruction” is necessary for Asian philanthropy market. Joseph Alois Schumpeter (Schumpeter, J. A.:1883-1950) once wrote, “capitalism” needs and works by the “process of Creative Destruction,” which “incessantly revolutionizes the economic structure from within, incessantly [destroys] the old one, [and] incessantly [creates] a new one (Schumpeter,1962).” This paper will bring to the readers’ attention how the process of creative destruction will “[revolutionize]” the charity structure from “within,” “[destroy]” the old, inefficient, and malfunctioning Asian charity market: “create a new one”; and become fundamental for developing and enriching Asian culture of charitable giving. Having read the analysis on why the philanthropy market in Asia, compared to its counterparts, lags behind, the readers will agree that Asia needs “creative destruction (Schumpeter,1962)” not just in its philanthropy business, but, more importantly, in the culture of charity.

Additionally, this paper will show that it is an opportune time for an innovative start-up to introduce a new form of technology, an easy-to-access application with registered partnership foundations. This technology is expected to boost the credibility of charity businesses in Asia by regularly updating the app users on where and how much of their donations have been used. Furthermore, the new form of

technology will help tackle other issues surrounding the culture of philanthropy in Asia. This paper will, then, finally examine the obstacles this start-up may face as it tries to grow into a monopoly and the socio-political implications it may bring into the world.

## II. Charitable Giving in Asia vs. the Rest of the World

The Charities Aid Foundation (CAF) is a major international charity based in the United Kingdom. It publishes a report known as the CAF World Giving Index annually. These annual reports allow the public to gain an insight into “global trends in generosity across the globe” (CAF World Giving Index, 2018). The organization evaluates the generosity of the populations across different countries by measuring how many citizens in each nation helped strangers, such as a homeless person; donated money, namely through charities; and volunteered their time, like helping the elderly or the disabled.

The latest CAF World Giving Index was published in October 2018. The following tables, Figure 1 and Figure 2, respectively show the top 20 countries to practice generosity in 2018 and the top 20 countries to practice generosity over the past five years.

	 CAF World Giving Index ranking	 CAF World Giving Index score (%)	 Helping a stranger (%)	 Donating money (%)	 Volunteering time (%)
Indonesia	1	59	46	78	53
Australia	2	59	65	71	40
New Zealand	3	58	66	68	40
United States of America	4	58	72	61	39
Ireland	5	56	64	64	40
United Kingdom	6	55	63	68	33
Singapore	7	54	67	58	39
Kenya	8	54	72	46	45
Myanmar	9	54	40	88	34
Bahrain	10	53	74	53	33
Netherlands	11	51	52	66	37
United Arab Emirates	12	51	68	62	23
Norway	13	50	54	65	32
Haiti	14	49	62	54	31
Canada	15	49	57	56	33
Nigeria	16	48	71	36	37
Iceland	17	48	50	65	27
Malta	18	47	53	64	25
Liberia	19	47	80	14	47
Sierra Leone	20	47	80	23	37

Figure 1 : Top 20 countries in the CAF World Giving Index in giving behaviours in 2018. (CAF World Giving Index, 2018)

	 CAF World Giving Index 5 year ranking	 CAF World Giving Index 5 year score (%)	 Helping a stranger 5 year average (%)	 Donating money 5 year average (%)	 Volunteering time 5 year average (%)	 CAF World Giving Index 1 year score (%)	 Difference between 1 and 5 year score
Myanmar	1	64	52	90	48	54	-10
United States of America	2	60	75	62	43	58	-2
New Zealand	3	59	65	68	43	58	-1
Australia	4	58	66	69	39	59	1
Ireland	5	56	61	66	40	56	0
Canada	6	56	65	64	39	49	-7
Indonesia	7	55	44	73	47	59	5
United Kingdom	8	54	61	70	31	55	1
Kenya	9	53	72	44	44	54	1
Sri Lanka	10	53	57	54	48	45	-8
Netherlands	11	52	54	68	35	51	-1
United Arab Emirates	12	51	71	60	23	51	0
Malaysia	13	51	58	59	37	n/a	n/a
Bhutan	14	50	53	58	40	n/a	n/a
Malta	15	49	48	73	26	47	-1
Norway	16	48	53	62	31	50	2
Iceland	17	48	49	69	27	48	-1
Singapore	18	46	50	58	29	54	9
Germany	19	45	58	52	26	46	1
Denmark	20	45	55	57	23	46	1

Figure 2: Top 20 countries in the CAF World Giving Index in giving behaviours over the past five years(2013-2018) (CAF World Giving Index, 2018).

The 2018 CAF World Giving rankings were based on the data collected from the Gallup World Poll. The Gallup World Poll data were based on the responses accumulated from 146 countries, which accounts for about 95% of the world population (CAF World Giving Index, 2018). The population of each country was surveyed on three areas of giving behaviour—their participation in helping a stranger, donating money, and volunteering. The CAF index was, then, determined by taking the average of these three measures (CAF World Giving Index, 2018). According to Figure 1, six out of the top 20 most charitable countries in 2018 were in Europe—Ireland, the United Kingdom, the Netherlands, Norway, Iceland, and Malta (all in order of their rankings). Five were in Asia—Indonesia, Singapore, Myanmar, Bahrain, and the United Arab Emirates. Four were in Africa—Kenya, Nigeria, Liberia, and Sierra Leone. Two were in Australia—Australia and New Zealand, each ranking and . Three were in North America—the United States, Haiti, and Canada—whereas none were in South America. Surprisingly, four (Indonesia, Singapore, Myanmar, and Bahrain) out of five countries from Asia, the region with the lowest participation rates in charity and philanthropy, ranked within the top 10 most generous states. With the exception of Bahrain, ranking , the other three within the top 10—Indonesia, Singapore, and Myanmar—were all from Southeast Asia.

Common geographical location does not, however, capture why these three ranked high up in the list of most charitable countries. Instead, wealth and religion can be identified as the major factors that drove the three to show high charitable qualities. Indonesia and Singapore, each ranking and in the 2018 CAF World Giving Index, have high gross domestic products (GDPs). According to the International Monetary Fund (IMF), Indonesia attained GDP of 1.15 trillion USD by 2018, ranking richest in Asia and in the world. IMF also reported that Singapore reached GDP of 367.78 billion USD by 2018, ranking richest in Asia and in the world (GDP Ranked by Country, 2019). It could be said that these two

countries, with their high GDPs, were more capable of offering help to the less privileged of the society. In contrast to Indonesia and Singapore, Myanmar has a low GDP. It is, in fact, one of the poorest in Asia with about 37% of its population living near or below the poverty line (World Bank. Accessed September 14, 2019). Yet, it still ranked in the CAF World Index last year (2018). More surprisingly, Myanmar, although extremely poor, proved to be outstandingly generous in terms of cash donations by ranking with the highest participation rate in cash donations according to Figure 3—even outranking high GDP countries like China and Japan.



Donating money by country and ranking		People (%)
Myanmar	1	88
Indonesia	2	78
Australia	3	71
United Kingdom	4	68
New Zealand	5	68
Netherlands	6	66
Norway	7	65
Iceland	8	65
Ireland	9	64
Malta	10	64

Figure 3 : Top 10 countries by participation in donating money in 2018.  
The numbers in the column titled 'People (%)' represent the percentage of citizens who donated in one country (CAF World Giving Index, 2018).

What could explain for Myanmar's unexpectedly high generosity levels regardless of its abstract poverty is its religion—Buddhism. Religion is a central aspect of life in Myanmar and essential to defining one's personal identity. Most of the Burmese population identify themselves as Buddhists (87.9%), which shows how deeply Buddhism is rooted in Burmese culture. The prominent form of Buddhism practiced in the country is Theravāda Buddhism (Pier, 2019). It is known as the school of Buddhism that has remained closest to the original teachings of the Buddha (Heys, 2019). Theravāda Buddhism teaches its followers to “abstain from all kinds of evil, to accumulate all that is good and to purify their mind.” One simple way of following its teachings is to practice generosity through which people can eliminate their ill-will and greed. According to a study conducted collaboratively by Gallup International and the WI Network of Market Research, China, a high GDP nation, topped the list of the world's least religious countries with 90% of Chinese identifying themselves as atheists or irreligious (Noack, 2015). Japan, another high GDP Asian country, is also known to be highly irreligious—surveys demonstrate that 57% to 72% of the Japanese population define themselves as mushinkyō (無神教), or unbelievers, who do not believe in religion (Medium, 2018). Irreligious social atmosphere of these two wealthy nations may account for their low participation rates in donating money—China ranking in making cash donations according to the CAF index and Japan . These two nations prove that wealth

and generosity are not always correlated. The example of Myanmar reinforces that a country does not have to be rich in order to be giving (at least in terms of cash). It is plausible that it takes a uniquely strong religious culture to make a poor country like Myanmar as charitable as it is.

One of the limitations of the data shown in Figures 1, 2, and 3 from the CAF report is that they only illustrate what proportion of the population practiced giving. In other words, they fail to communicate the actual amount of giving done by individual countries. For instance, Figure 3 cannot qualify as an accurate measure of representing the financial contribution one country has made to helping people in need. This is because it does not communicate the total sum of money a nation raised for donations. Instead, it merely shows the percentage of its citizens who donated, counting even those who might have offered a negligible amount of money, possibly one dollar. Unlike the previous CAF data, ‘giving as a percentage of GDP’ portrays how much of a country’s wealth has been dedicated to charitable giving. GDP tracks the health of a nation’s economy and measures the size of it by representing the total monetary value of all goods and services produced over a period of time (Kramer, 2019). Hence, giving as a percentage of GDP conveys a better sense of how significant the help was a country offered in relation to its economic circumstance.

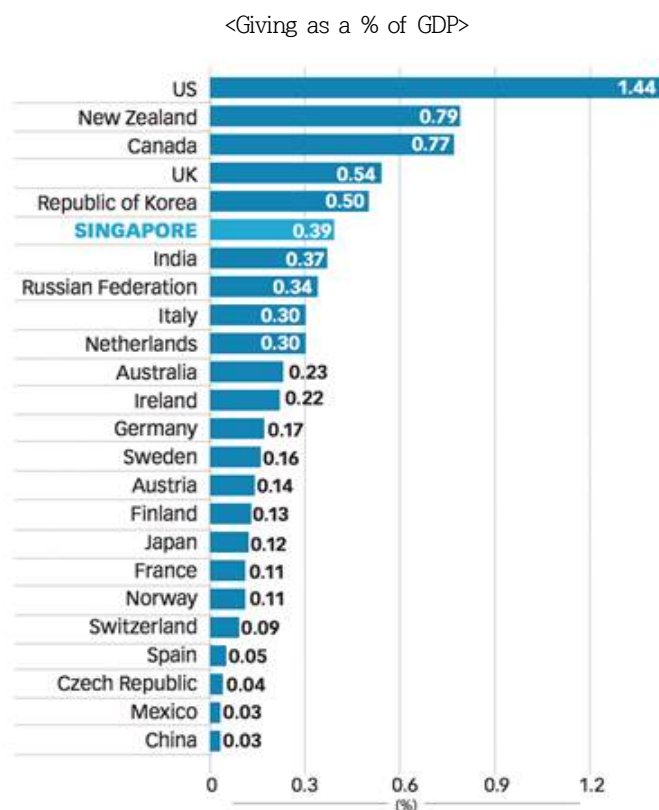


Figure 4: Giving as a percentage of GDP from a CAF report. This shows the percentage of GDP of a country used for donations to not-for-profit organizations in 2016. When surveying, the CAF only accumulated data for 24 countries, all represented on the graph, and therefore this is not the world ranking of countries by their giving as a percentage of GDP (Gross Domestic Philanthropy, 2016).

Figure 4 from a report published by the Charities Aid Foundation (CAF) in 2016, Gross Domestic Philanthropy: An international analysis of GDP, tax and giving, portrays the lack of donations made by

Asian countries. In 2016, charitable donations by individual Americans totaled 285 billion USD-1.44% of the U.S. gross domestic product. That same year, Japan, one of the strongest economic powers in Asia, only donated 7 billion USD-0.14% of its GDP and 1/40 as much as Americans. China, another economic power in Asia, in fact, more powerful than Japan economically, dedicated only 0.03% of its GDP to charities (Japan Today,2019).

By looking at how even the largest economic powers in Asia do not engage in charity and philanthropy actively, one can easily notice that Asia has an underdeveloped giving culture compared to the rest of the globe. The lack of participation in charitable giving by these wealthy Asian countries, just as powerful as their Western counterparts, shows that it is not Asian countries' economic situation but the Asian culture of charity that has been shaping Asia's low engagement.

### **III. Reasons for Low Charity Rates in Asia**

#### **3.1 Lack of Trust**

One of the key reasons why Asians have been showing less engagement in charitable and philanthropic activities is that they have a significant level of distrust toward charities and philanthropic foundations (TAN and LAM, 2017). Even in the Republic of Korea, which ranks relatively high up in charity participation rate in comparison to other Asian countries (CAF World Giving Index, 2018 ), low trust in charities prevails. A survey carried out by Korea Association of Fundraising Professionals (KAFP) revealed that approximately 60% of Koreans are hesitant to make donations to charities. According to its survey, Koreans believe it is highly likely that their donations will be spent somewhere else, where the funds are not originally meant to be used, instead of helping the less privileged or alleviating crises (Koreatimes,2019).

This problem - the lack of trust in foundations, which is endemic to Asia - originates from the low levels of transparency of many Asian charities. The limited access to operational aspects of Non-Profit Organizations (NPOs) (Kenton, 2019), including charities and philanthropic foundations, in Asia has resulted in poor public opinion of these institutions. The general negative view of charities has, in turn, led to underfunding of many foundations, impeding charitable and philanthropic giving culture in Asia.

Such a low level of trust can be improved by the disclosure of information on how the charity utilizes its funds and by allowing donors to monitor the progress the charity has been making. However, whether the organizations will disclose detailed and accurate information is dubious, especially since such disclosures will be done voluntarily. Addressing this challenge will require credible and unbiased intermediaries who will oversee charities and philanthropic institutions, particularly the ones with poor institutional governance (TAN and LAN, 2017).

#### **3.2 Lack of Data Sharing & Cooperation**

Another reason why Asia has been falling behind making contributions to charity and philanthropy can be explained through the lack of data sharing mechanism among foundations in Asia (TAN and LAM, 2017). Due to insufficient data sharing between organizations, a number of charities have been

working on the same issues separately and, hence, inefficiently when they could have collaborated and achieved tangible outcomes more quickly and easily. Asian foundations are projected to increase exponentially in their impact once they start to collaborate. Despite coordination among some charities in Asia, cooperation across the continent is still low. The B.K. Kee Foundation, a family foundation dedicated to helping vulnerable communities in and around Myanmar, once pointed out that an increase in cooperation among foundations with similar aims will reduce the number of duplicative works in Asia. Although building trust between partner foundations can be challenging, co-investing and co-working on projects will help foundations realize greater and lasting impact and tackle problems in a shorter period of time (TAN and LAM, 2017).

### **3.3 Operational Weaknesses of Charities & Philanthropic Foundations**

Another factor hindering charitable giving in Asia is the faulty operational methods of many Asian foundations, which have been restraining the philanthropy business from growing. Oftentimes, charities and philanthropic organizations do not have comprehensive long-term plans and strategies. The blurred vision for the future escalates the donors' dissatisfaction and distrust in the institutions, once again, leaving them underfunded and unable to operate. Additionally, some organizations with operational weaknesses are not needs-based but driven by the founder's personal interest. Such operational methods inhibit effective philanthropy because donations are not used in addressing most urgent matters (TAN and . LAM, 2017).

### **3.4 Inability to Attract & Retain Talented Employees**

Further problems found in Asian charities include their inability to attract and retain talented workers. In the case of China, government policies have aggravated this problem. The Chinese government has limited the administrative spending of foundations, such as salaries, to less than 10% of annual expenditure, which has significantly undermined organizations' ability to draw and keep talented people in the field (TAN and . LAM, 2017). With less proficient workers, both charities and philanthropic institutions have grown increasingly less efficient in allocating grants and less capable of launching effective charity programs (TAN and . LAM, 2017).

### **3.5 Lack of Government Incentives**

Lastly, another fundamental factor that has been impeding the growth of charity and philanthropy in some parts of Asia is unsupportive governments. Several exemplary instances of Asian governments prompting citizens to participate more in charity and philanthropy can be found in Singapore and India. In Singapore, for example, the act of donating to charities is rewarded with a tax deduction rate up to 250% by the government (Sajan, 2019). This has elicited positive social implications, namely an increase in money raised for the people in need of help and for restoring disaster-stricken areas along with an increase in Singaporeans' engagement in charity and philanthropy. In India, the revised Companies Act 2013 regulated that businesses with annual revenues, net worth, or net profits exceeding 151 million



USD, 76 million USD, or 755,000 USD respectively should donate 2% of their gains to foundations. This legislation has substantially boosted the level of corporate philanthropy in India (TAN and . LAM, 2017), benefitting the less privileged both in India and in the international community.

With the exceptions of these nations, a number of Asian countries, namely the Philippines and Thailand, have poor policies that incentivize charitable and philanthropic giving. These states provide limited tax benefits to individuals and corporations practicing giving because they uphold the belief that all wealthy individuals and companies, regardless of their commitment to charities, should pay their fair share of taxes (TAN and . LAM, 2017).

In short, a multitude of challenges faced by the charity and philanthropy market in Asia - including the absence of intermediaries that enhance the credibility of charities, the insufficient collaboration among foundations, the inability of charity institutions to recruit and retain talented workers, and the need for more government incentives must be addressed in a swift manner. Otherwise, Asia will continue to lag behind in developing the culture of charity and philanthropy.

#### **IV. Asia Calls for Creative Destruction**

In order to tackle the factors hindering charitable and philanthropic giving in Asia, “creative destruction,” not only in the philanthropy business but also in the culture of charity itself, must take place.

Joseph A. Schumpeter (born on February 8, 1883, in Moravia-died on January 8, 1950, in Connecticut, the United States of America) was an Austrian economist and sociologist (Management Mania, 2016). He is famous for his theories on the business cycle (Kenton, 2019), capitalism, and for introducing the concept of entrepreneurship (Liberto, 2019). Schumpeter was the first thinker to coin the term “creative destruction” in his widely read *Capitalism, Socialism, and Democracy* (1942):

The opening up of new markets, foreign or domestic, and the organizational development from the craft shop to such concerns as U.S. Steel illustrate the same process of industrial mutation-if I may use that biological term-that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism (Schumpeter, 1962).

Here, it is evident that Schumpeter considers “destroying the old” method of industrial production and “creating a new one” a key characteristic of capitalism. His statement above also hints at his belief that the incessant replacement of outdated production methods and products (goods and services) by new ones is of paramount importance in developing a society.

While Schumpeter acknowledges the shortcomings of creative destruction, such as lost jobs, bankrupt companies, and ruined industries, he deems the process of creative destruction a positive and necessary step in innovating communities. According to him, societies that endorse creative destruction benefit from new products with improved qualities, convenient and quicker methods of transport, higher living standards resulting from shorter working hours, etc (Econlib, 2019).

Schumpeter identifies competition and entrepreneurship as the two major forces that drive creative destruction: “The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers’ goods, the new methods of production or transportation, the new markets, the new

forms of industrial organization that capitalist enterprise creates (Schumpeter, 1962).” Schumpeter claims that entrepreneurs behave according to the profit motive (Lexico Dictionaries, 2019) in which they introduce new goods and services, like technologies, to seek profits. New products, firms, industries all compete against their existing counterparts in the market. They compete primarily over customers by offering them lower prices, higher quality, more attractive styling and packaging, better service, and by implementing more rigorous marketing strategies. In a capitalist society, where creative destruction is ubiquitous, producers survive by constantly renewing their methods of production and products. Firms and industries that fail to innovate and satisfy consumers’ altering wants and needs at competitive prices lose customers, wither, and eventually die (Econlib, 2019).

Humanity has been experiencing a perpetual series of creative destruction as a result of constant innovations led by entrepreneurs : [Entrepreneurs reform and revolutionize] the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on (Schumpeter, 1962). For example, the advent of steam power in the nineteenth century led to the replacement of flatboats and keelboats by steamboats, transforming the modes of transportation. Steam power further led to an increase in the number of steam locomotives and railroads, reducing shipping costs, building new industries, and providing millions of new productive jobs. In the following century, the internal combustion engine paved the way for automobiles, continuing the process of creative destruction (Econlib, 2019).

Creative destruction can be found these days as well with non-stop technological innovations. Airbnb, an online community marketplace where people can list and book short-term lodging accommodations around the world (Forbes Magazine, 2018), for example, has been re-shaping the lodging industry. Traditionally, travelers only had the option to stay at hotels and other institution-based accommodations. However, travelers can now book local houses and personal accommodations through Airbnb. This new technology has been benefiting not only the travelers by providing them with cheaper accommodations and an opportunity to immerse in the local environment but also the hosts by offering them a medium to earn extra money to pay their rents (Economic Policy Institute, 2019). On the other hand, the advent of alternative means of booking accommodations through Airbnb has led to diminishing returns for hotels (Forbes Magazine, 2018). It can, thus, be argued that Airbnb has been “creating” and “destroying” the lodging industry in recent years, transforming the market. Similarly, Uber, an American multinational transportation network company offering services, including peer-to-peer ridesharing and ride service hailing, has been transforming the taxi industry.

Given how Asia has been, for a long time, falling behind other parts of the globe in charity and philanthropy, perhaps it is time for “creative destruction” in the region. In other words, it is time for Asia to face an innovation in the charity market—an innovation that will boost transparency of the giving industry, open up avenues for organizations to collaborate and share information, and call attention to the need for more government incentives in promoting charity and philanthropy.

Applying Schumpeter’s “Creative Destruction” to the Asian charity market, this paper will chart a path for innovation by proposing an application. This application will take full advantage of the information revolution and technological advancements whose benefits have not yet transformed the traditional charity market. This application-called “Charinthropy,” combining the words “charity” and

“philanthropy”-will aim to tackle the factors that have been inhibiting the growth of charity and philanthropy in Asia and construct a more giving atmosphere across the continent.

## V. What is Charinthropy?

Charinthropy is a handy application that will have charity and philanthropy organizations registered on it like hotels registered on HotelsCombined (Persollo,2019). It will function differently from existing charity websites because it will act as a middleman that adds a layer between individual donors and foundations.

All institutions registered on the app will be obliged to submit annual reports at the end of each year, informing the users of the fundraisers they held, how much was raised from those fundraisers, how they were used, how much donations they received, whether the donations were utilized as informed previously to the donors, what proportion of their funds was spent on paying operational costs such as workers’ salaries, etc. These reports are to be assessed with high scrutiny and rejected if they are fabricated or not detailed. The rejected organizations will automatically be removed from Charinthropy.

Furthermore, institutions that receive donations from Charinthropy users will be required to take photos of its activities, such as handing out clothing and foods in areas stricken by natural disasters, and share them with their donors. This is to inform the donors about the progress the organization made using their donations. The increased access to how their money was utilized in helping the less privileged will render the users to place more faith in organizations, feel more motivated to take part in charitable giving, and realize how their seemingly insignificant contributions can help others substantially. The application will further boost the users’ trust in the registered organizations by adopting a system in which the users can rate the foundations and comment on their programs. This rating system will not only inform the future users about to what extent an organization can be trusted to use its donations appropriately and how effective and exhaustive its programs are in addressing problems but also incentivize the charities to work harder to earn favorable ratings in order to attract more fundings.

Additionally, Charinthropy is going to set its goal on tackling the lack of collaboration among charities and philanthropic organizations by serving as a medium through which organizations can communicate. As aforementioned, if charities with similar programs and similar objectives cooperate, they will have been able to achieve more tangible outcomes in alleviating issues. When institutions register their programs on the application to promote them and to find donors who will help initiate them, the foundations will have to write a synopsis of the program and its goal. Once analyzing the synopsis, the app will classify the program into one of the many categories-education, food scarcity, water hygiene, etc.-according to the characteristic of the issue it aims to resolve. This categorizing algorithm of the app will help organizations easily see which other institutions operating in the same region have proposed similar activities. Once a charity finds an organization with similar programs and matching values that it would like to work with, it can utilize the chat system in Charinthropy, directly contact the foundation, and devise a cooperative plan together. Clearly, the categorizing system and the chat rooms available on the app will benefit the charities by opening up avenues through which they

can seek partners and communicate. Merging programs would mean merging funds as well as merging information they have on how to approach and resolve certain issues. With larger financial and information capacity, the institutions in partnerships can help alleviate problems in specific regions more swiftly. Both the categorizing system and the chat rooms are also going to be opened to the users, which will enable them to search programs by categories and freely ask questions to organizations without having to search their email addresses or phone numbers on the Internet.

Consequently, Charinthropy will “destroy” the prevailing individualism found in the current charity market (in which organizations operate individually on separate, yet similar, programs) and, instead, “create” a collaborative charity environment by providing a medium of communication; “destroy” the modern opaque philanthropy business and “create” a transparent philanthropy business; and “destroy” the culture of low participation in charity and “create” a rejuvenated culture of charity in Asia.

Though problems such as the lack of transparency of charities and the lack of collaboration among foundations can be addressed easily by Charinthropy, there are several limitations to what Charinthropy can achieve. It has been previously mentioned that more government policies incentivizing charitable giving and more measures to attract talented workers toward philanthropy business are required to innovate the charity industry. Unfortunately, Charinthropy cannot directly urge the government to implement incentives like tax deductions. Nonetheless, expansion in the culture of charity as more people use Charinthropy will allow people, including politicians, to realize the staggering lack of government incentives encouraging charitable giving in Asia.

At the same time, the increased participation in charitable giving following the advent of Charinthropy can be anticipated to enlarge the philanthropy market in Asia. The expansion of the market will attract more work force and secure a promising future for the charity and philanthropy business, enticing talented workers into the field.

Charinthropy, hence, might have limited direct implications but has the power to bring about far-reaching positive changes in the culture of charity through its indirect, ripple effects.

## **VI. Monopolizing**

Now that the functions of Charinthropy and its future implications have been specified and analyzed, the next crucial step before bringing Charinthropy into life would be to plan its way to monopolize the charity market.

Although Charinthropy will not have direct competitors in terms of the service it offers, it nevertheless will have to compete for consumers—the same consumer base as existing charities—given that it functions as a middleman between individual donors and existing charities. That is, it needs to create a culture where individual donors, instead of donating directly to charities, want to first go through Charinthropy. Accordingly, it will have to follow Peter Thiel’s advice to monopolize the charity market. The road to monopolizing the market might be challenging, but there are many reasons why Charinthropy is likely to succeed—first and foremost, individual donors themselves are significantly unsatisfied with the way charitable organizations work and are looking for a service that will enhance transparency and allow them to monitor how their donations are being used.

In his book *Zero to One* (2014), Peter Thiel, American entrepreneur, venture capitalist (Ganti, 2019), and

co-founder of Paypal (Haisao, 2019 ; Thiel, 2019), argues that every startup should aim to become a monopoly (Forbes, 2019). Thiel states that monopolies usually share four characteristics: “proprietary technology, network effects, economies of scale, and branding (Thiel and Masters, 1986).” Nonetheless, he clarifies that having these features does not guarantee a startup in becoming a monopoly but increases the durability of the (Thiel and Masters, 1986).

Thiel asserts, “proprietary technology must be at least 10 times better than its closest substitute in some important dimension to lead to a real monopolistic advantage (Thiel and Masters, 1986).” It is evident that Thiel considers having a unique, innovative idea essential to starting a successful business. Charinthyropy qualifies as an innovative technology because it is the world’s first application to have all charities and philanthropic foundations in one place and, therefore, has no substitutes, making it advantageous in growing into a monopoly.

In *Zero to One*, Peter Thiel advises entrepreneurs to “start small and monopolize (Thiel and Masters, 1986).” He also states, “[the] perfect target market for a startup is a small group of particular people concentrated together and served by few or no competitors (Thiel and Masters, 1986).” Charinthyropy adheres to this piece of advice particularly well, as it targets two specific groups of people - 1) those who are already active charity donors or philanthropists and 2) those who have always been keen on giving but could not find credible organizations.

Peter Thiel also stresses that the business should not disrupt any market when expanding to grow into a monopoly. He contends, “As you craft a plan to expand to adjacent markets, don’t disrupt: avoid competition as much as possible (Thiel and Masters, 1986).” Charinthyropy, however, is anticipated to cause at least some disruption in the charity market since it has to compete against existing charities over consumers who have been utilizing charity websites to make donations. At the same, Charinthyropy can be met with favorable views from foundations because it can help them receive more donations by providing a convenient means for people to explore what charities are out there, whether there are charity programs they would like to support and fund.

The final secret Thiel shares on how to pave the way to a monopoly is to have “the potential for great scale built into its first design (Thiel and Masters, 1986).” Charinthyropy is to have its first launch in South Korea, which has a small philanthropy market but has one of the fastest growing participation rates in charity in Asia (Mangopost, 2018). Nonprofit organizations in Korea have been thriving in recent decades as the country has grown into a politically and economically stable country since the late 1980s. In the status quo, there are approximately 30,000 nonprofit organizations (NPOs) operating in South Korea. Many charities such as UNICEF, the Red Cross, and Planned Parenthood have been operating in Korea for a number of years now, which shows that the nation has secured a stable environment for philanthropy business (Mangopost, 2018).

Although middle-class household giving rates fluctuate with some rises-and-falls in the economy, individual giving rates have been constantly growing each year. Moreover, leading Korean companies, namely Samsung and LG, have been encouraging the public to practice more giving using social media. With a growing social atmosphere promoting charitable giving and an increasing number of Koreans participating in philanthropy (Mangopost, 2018), Charinthyropy will be able to garner success as a technology platform that encourages people to engage in more charitable activities. Once it has dominated the charity market in South Korea, Charinthyropy will enter other charity markets in Asia, which, too, have high “potential to grow” as a result of the rapidly developing Asian economy.

## VII. Conclusion

It is true that Asia has grown more active in charitable giving than before. Nevertheless, the participation rates in charity and philanthropy in Asia are still low while its counterparts in the West are continuing to lead and polish the philanthropy business. Statistical data have proven that Asia conspicuously lags behind other parts of the world in building a culture of charity and philanthropy—for instance, China and Japan, two of the major economic powers in Asia, each dedicated only 0.03% and 0.14% of its GDP to helping those in need. In areas where people are highly devoted to fulfilling religious teachings that highlight the importance of sharing, charity and philanthropy participation rates are relatively high. The overall commitment to charitable giving in Asia, nevertheless, remains low compared to other parts of the globe.

The uncharitable trend dominating Asia originates from a complex of problems, including Asians' distrust in charitable organizations due to their lack of transparency and credibility. Issues—such as lack of collaboration among charity institutions, inadequate means of communication and insufficient data-sharing mechanism among charities, foundations' incapability to draw and maintain talented workers in the market, and deficient amount of government incentives encouraging citizens to engage in more charitable actions—are not simple to resolve. Hence, instead of mending the charity business by addressing these matters one by one, what Asia needs is an innovation—a technological innovation that will alter the whole structure of the charity market in Asia. This technological innovation, sought by “Charinthyropy,” will transform the structure of the market upside-down by introducing an unprecedented middleman between individual donors and charity foundations who will ensure the trustworthiness of institutions, provide unparalleled avenues for organizations to share information among others.

Indeed, this innovation will spark “creative destruction” in the current Asian charity market by destroying its opaque structure and boosting its transparency and, accordingly, reliability. This new technology will also destroy the conventional environment where charities and philanthropic foundations worked individually without governmental support and create a new environment where organizations work collaboratively with governmental support.

Considering the problematic nature of Asian philanthropy market, an innovation that can ignite a chain of creative destruction, not merely in the charity business but, more crucially, in the culture of charity is desperately needed in Asia.

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## 아시아 기부 문화에 필요한 창조적 파괴

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### 국문 요약

세계가 점점 더 통합됨에 따라 자선단체는 국내 문제 뿐만 아니라 빈곤, 기근, 자연 재해 등 세계 전역에서 일어나는 문제들을 다루게 되었다. 국제적으로 많은 조직들이 도움을 제공하고 이러한 문제들을 완화시키기 위해 노력하고 있지만, Jusoor, Karam Foundation, Save the Children, 그리고 Oxfam 등 대부분의 자선단체들이 서구사회에 기초하고 있다. 이 논문은 동양과 서양 두 지역 사이에 기부 문화 불균형이 존재하는 이유를 분석한다. 이 논문은 지역적 차이를 설명하면서 자선 재단에 대한 아시아인들의 뿌리 깊은 불신과 아시아에서의 자선 기부를 장려하는 정부 정책의 부재, 그리고 추세를 형성하는 다른 여러 사회적, 경제적, 정치적 요인에 특히 초점을 맞추고 있다. 아시아가 세계의 다른 지역에 비해 자선 문화에서 왜, 그리고 얼마나 크게 뒤처지는지를 분석한 결과, 이 논문은 아시아 자선 시장에 "창조적 파괴"가 필요하다는 것을 증명한다. 더 나아가 이 논문은 혁신적인 신생 기업이 새로운 형태의 기술, 즉 등록 파트너십 기반을 갖춘 접근하기 쉬운 애플리케이션을 도입하여 정기적으로 앱 사용자들의 기부금 사용처와 금액을 업데이트함으로써 아시아 자선 사업의 신뢰도를 높일 수 있다고 제안한다. 이러한 새로운 형태의 기술은 아시아의 자선 문화를 둘러싼 다른 문제들을 다루는 데 또한 도움이 될 것이다.

■ 중심어: 창조적 파괴, 기부 문화, 혁신, 애플리케이션

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