

IMPACT OF DONATION AMOUNT ON DONORS' PROPENSITY TO FOLLOW-UP

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Abstract

With an increase in the donating behaviour, we seek to understand the relationship between individual charitable giving and following up to inquire into the utilisation of the donation for the established purpose. The paper uses a primary survey to understand the behaviours and underlying motivations of individuals who donate to charitable institutions across levels of donation amount and financial dependency. While the majority did not follow up on the average donated amount, the likelihood of following up increased with a rise in donation amount. It further recognises pathways that charitable organisations can adopt to incentivise individuals to donate more.

Keywords: Charity, donor behaviour, altruism.

Introduction

Across the globe individuals and organisations show altruistic behaviour with the intention of “giving” in multiple ways including directly helping someone, volunteering time or donating money to an organisation or a cause. According to the Charities Aid Foundation Report, while significantly more people contribute to helping strangers and volunteering their time, the proportion who donate money have shown a declining trend in the last decade. However, with rise in adversities, the COVID-19 pandemic provided a fillip as donating behaviour rose again in 2020. Every third adult made monetary contributions to charitable organisations or causes and consequently, charity donations rose to a five year high in 2020.

However, while large donations may amount to an increase in charitable donations, they do not always translate into charitable actions. The reliance of a donor on NGOs and charities might cause the amount to be syphoned and utilised to fulfil selfish objectives and other purposes. A safeguard against this would be the donor's active follow-up to ensure meaningful and optimal utilisation of the amount for the identified cause. However, this behaviour is rare and most individuals disengage from the entire donation lifecycle after contributing the amount. This is compounded by a lack of standardised reporting systems for informing donors about the performance of the organisation and eventually results in ambiguity regarding how the amount is being utilised. In an instance of misuse of the money donated, two Australian charities fundraising in support of organisations to help those having served in the Defence Force were apprehended for using funds to attend functions linked to the Liberal party. Consequently, to prevent further misuse they committed to 15 measures to improve transparency and financial management. Further, an internet survey found that 71% of donors who expressed a lack of trust towards their chosen charity organisation cited ‘being unaware of how charities spent their

money as their primary concern. In another case, funds donated to the Trump Foundation were used by Donald Trump to unlawfully boost his 2016 presidential election campaign, settle legal claims against his businesses, and purchase a \$10,000 portrait of himself.

This paper thus seeks to establish the prevalence of the behaviour of following up on the utilisation of the donation amongst donors and assesses the relationship between donations and this associated behaviour. It further inquires into the underlying reasons for the presence or absence of the following up behaviour.

Literature Review

The rationale for charitable giving has been established as it being for the public good. It is motivated by a desire to benefit someone other than the self and is characterised as altruistic. In accordance with this, altruism is considered a priori argument requisite for charitable giving. It is classified as pro-social behaviour that encompasses a range of actions intended to benefit others. However, patterns observed in data about charitable giving obtained from national surveys in the United States are inconsistent with a model of pure altruism and indicate that other motivations must be included to account for these data. Bekker and Weipking's empirical analysis of the academic literature on charitable giving—based on a literature review of more than 500 articles—to review the central question of why people donate money to charitable organisations locates eight mechanisms, namely: (a) awareness of need; (b) solicitation; (c) costs and benefits; (d) altruism; (e) reputation; (f) psychological benefits; (g) values; (h) efficacy, that drive charitable behaviour.

These identify determinants besides altruism that guide decisions centred around charitable behaviour. We, thus, define: pure altruism, impure altruism, and psychological egoism.

1. Pure altruism refers to acts undertaken in order to do good to others or undertaken to prevent harm to them. The final output of charities is a public good that enters the utility function for the individual. Charitable giving in this form is simply motivated by altruism and the awareness of the need.
2. Psychological egoism diametrically contrasts altruism to contend that all human action is ultimately motivated by self-interest. Even actions that seek to benefit others further the individual's own good. This behaviour conforms with the "psychological benefits" as a factor identified for charitable giving by Bekker and Wiepking. Charitable organisations have capitalised on this motivation and engaged consumers by advertising the psychological benefits of giving and simultaneously increasing contributions to charity.
3. The impure altruism characterisation treads the line between purely altruistic and egoistic desires by stating that one may act altruistically out of selfish concerns or seek selfish psychological rewards by behaving altruistically. In addition to the altruistic element, the amount of donation also enters the utility function indicating that an individual derives utility from giving.

These frame the Warm Glow model which allows for individuals to be purely altruistic, purely egoistic, or impurely altruistic in their charitable giving by adding the emotion-associated

reward of satisfaction experienced when donating for the public good. When people start to give for “selfish” reasons instead of altruistic reasons, such an extrinsic motivation may crowd out intrinsic motivation to help; as a result, helping behaviour might decrease in the long-term as people’s inherent interest in the welfare of others decline. From the behaviour of donors, we can infer that they are not as concerned about the public benefits generated by their contributions. Although people express a desire to help those in need, people routinely fail to follow through on their charitable intentions. Additionally, the private and psychological benefits or selective incentives for contributions dominate altruistic motives. Hence donors may be called “impure altruists”.

There are other factors that influence the propensity to donate, such as the image and brand of the charitable organisation and the perception that the organisation is efficient. This indicates that the effective utilisation of money for the purported objective is a factor that is important for donors. This can be generated in donors by the level of credibility of the organisation, possibly by the way it builds its image before society. Thus, the authors also argued that organisations should be able to present historical data and positive results on philanthropic work, as the reputation of a charity can obtain a new donor.

A survey by Just Giving on online donors covering responses by 20,000 participants recorded that when deciding whether to donate to a particular charity, the sense that money would be used effectively was cited as very important by 68.3% of respondents as personal motivation. Thus, a positive ranking and reputation for transparency can become a helpful tool for a charitable organisation in maintaining credibility.

The types of information donors consider when making charitable giving decisions include metrics, anecdotal data, and sources. An analysis of 10 million donors on Charity Navigator, an online tool that provides information regarding financial health, transparency and legitimacy of the charity organisations, revealed that donors searched for result-oriented information including correspondence from donors asking whether or not a charity is doing good work and are having a positive impact; however, most charities do not monitor, report, or share their results publicly. Additionally, they observe a spike in the search for charity’s impact during times of crisis and disaster. Upticks in web traffic and large increases in donations were observed for a period before and the six days after Hurricane Matthew in 2016. Donors giving in these times are driven by emotion and are often unfamiliar with the charities providing the services they are aiming to support. Donors seek external validation from such tools and sources to confirm the trustworthiness of the charities.

Thus, charitable giving can be motivated by reasons other than altruism and the wish to donate to the need. Extrinsic motivators like psychological benefits of giving and incentives attached to the giving behaviour are factors in determining altruistic behaviour. However, those donating are concerned about the ultimate utilisation of their money and pursue efficient implementation

of their charity intentions by entrusting the donation to an organisation of repute, credibility or verifiable impact.

Methodology

The assumed hypothesis is that an increase in the amount of charitable donations will have a positive impact on the contributor's willingness to follow up on how that sum of money is spent. Due to a lack of existing relevant data, this paper relies heavily on primary data which was collected by creating an online questionnaire using the Google Forms software. The questionnaire was distributed to individuals who have previously financially engaged with charities. There were no restrictions placed on the age, city or income background of the respondents. The final sample size for the data collected was 106, which was categorised by financially independent/dependent individuals and the amount of money they contribute per donation on average to account for whether a certain group displays the hypothesised behaviour more than others. The primary data was analysed on the basis of secondary data available to make conclusions about the rationale behind observed behaviours.

	<₹500	₹500- ₹1000	₹1000- ₹5000	>₹5000	Total
Financially Independent	13	8	14	16	51
Financially Dependent	24	19	8	4	55
Total	37	27	22	20	106

Table 1

There was an approximately equal split between the number of financially independent respondents (48.11%) and financially dependent respondents (51.89%). 34.91% of the respondents said they donated less than ₹500 per donation on average, 25.47% donated between ₹500 and ₹1000, 20.75% between ₹1000 and ₹5000 and 18.87% donated more than ₹5000. We will classify these donation groups as low, lower-middle, higher middle and high respectively for the rest of the paper.

Results

Q. What is the likelihood of you following up on if or how that amount has been utilised?

9.3% of the respondents claimed to always follow up on how the amount spent was utilised, while 42.1% said they never do so. 48.6% said they sometimes follow up.

Q. If your response to the above question was sometimes/never, what is the reasoning behind your decision to not follow up on the amount donated?

For a majority of the respondents, the reasoning (62.9%) behind their decision for not following up on the amount donated was that they “generally donate to NGOs or organisations that have been established as reliable”; followed by they were “unaware of how to follow up or do not have resources to follow up” (33%) and “amount donated is too small to be concerned about” (24.7%). Other reasons provided included impersonal cause, donation of tangible goods (perishables, like food), social anxiety and trusted individuals, like family members, conducting the audit process instead.

Q. What would motivate you to donate an amount that exceeds the average amount of your donations?

62.6% of the respondents claimed to donate a larger amount if they were “personally involved with the cause, organisation or the person receiving the amount”; followed by “reliability of the organisation or knowledge about how their funds are being utilised” (49.5%) and “if a small amount is inconsequential in the situation” (18.7%). Other motivations listed for donating a higher sum of money included deductions in tax, or similar benefits (12.1%) and a change to being financially independent.

Q. How likely is it that you would follow up if the amount donated was larger?

29.9% of the respondents claimed to always follow up if the amount donated was larger, while 9.3% said they never do so. 60.7% said they sometimes follow up.

Analysis

A comparison between the responses provided for the questions recording the frequency of follow ups when contributors donate their average amount versus a high amount brings to light the fact that the number of respondents always following up increases by 220%, sometimes following up increases by 23.08% and never following up decreases by 77.27% when there is a higher sum of money involved. Thus, for the entire sample size, there is a positive impact on the willingness to follow up on how their donations have been spent as shown in Figure I.

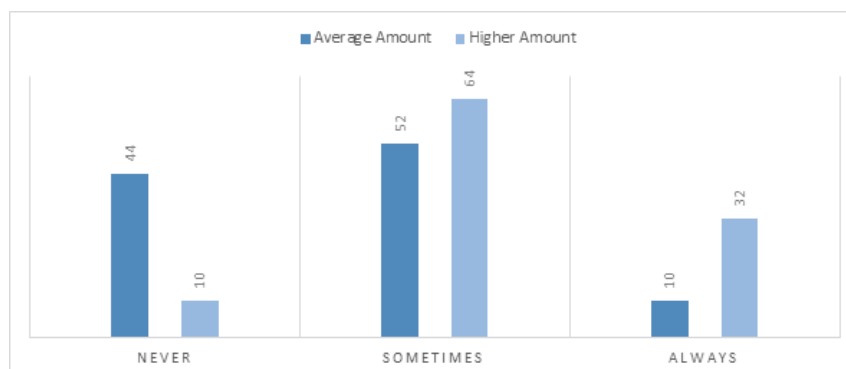


Figure I

Analysing the financially independent and dependent sub-groups we notice that for financially independent individuals the number of respondents that always follow up increases by 200%, sometimes follow up decreases by 3.7% and never do so decreases by 61.11%, whereas for financially dependent individuals the number of respondents that always follow up increases by 250%, sometimes follow up increases by 52% and never do so decreases by 88.46% when there is a higher amount of donation involved. Thus, apart from the sometimes respondents who are taken to be neutral, the financially independent and dependent sub-groups emulate the same behaviour as the larger sample group, as can be seen in Figures II and III.

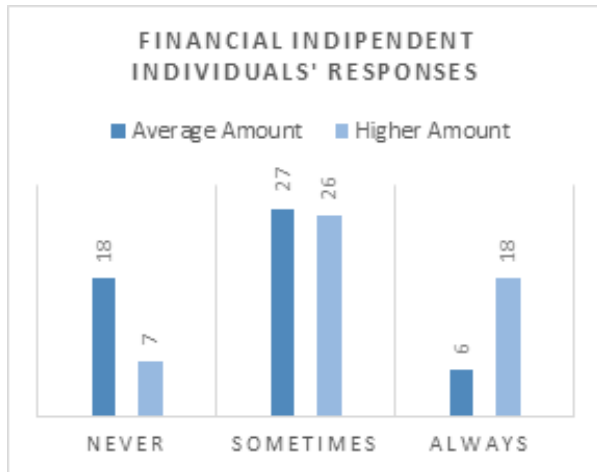


Figure II

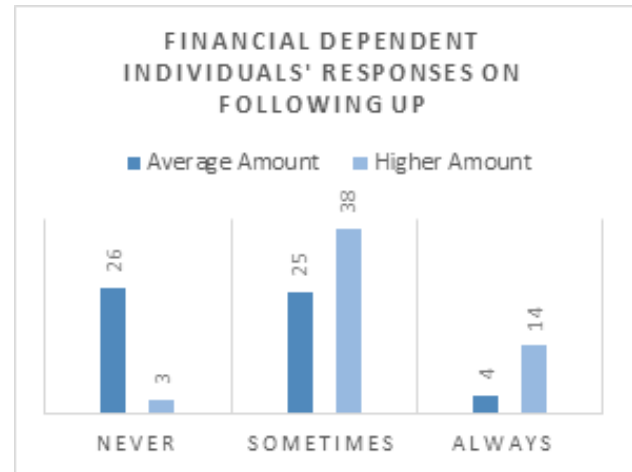


Figure III

Looking at the data collected for the different donation groups, we observe that the number of individuals in the low donation group who always follow up increases by 133%, sometimes follow up increases by 125% and never do so decreases by 86.36%, whereas in the lower-middle donation group individuals that always follow up increases by 700%, sometimes follow up increases by 12.5% and never do so decreases by 90% when there is a higher sum of money involved. For higher-middle and high donation groups, the number of respondents always following up increases by 200% and 166.67%, sometimes following up decreases 8.33% and 33.33% and those who never do so decreases by 71.43% and 20% respectively when individuals donate a larger amount.

Thus, although there is a positive impact displayed in all four groups, the two on the lower end of the donation distribution display the hypothesised behaviour to a greater extent, as displayed in Figures IV, V, VI and VII. If we consider a direct relation between individual income and donation amount, individuals belonging to the low and lower-middle donation response groups will tend to have a lower income in comparison to those in the higher-middle and high donation response groups. A lower income might result in the associated behaviour of being more prudent with expenses and, thus, wanting to ensure that their amount is utilised positively. In consonance, they show the following-up behaviour to a greater extent.

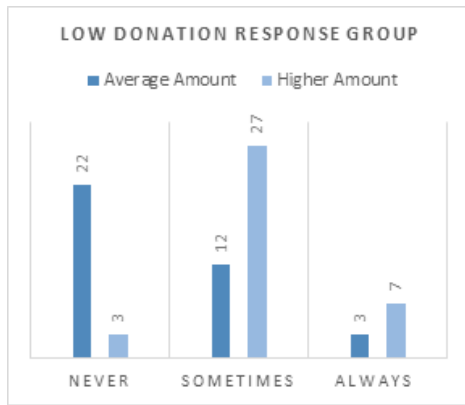


Figure IV

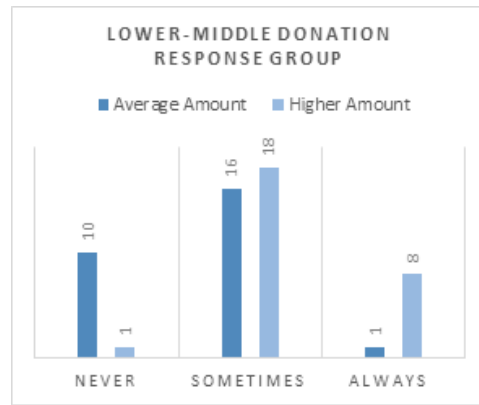


Figure V

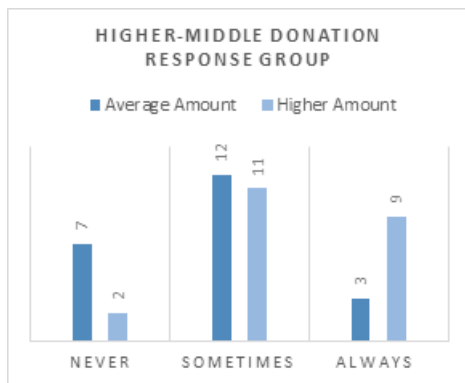


Figure VI

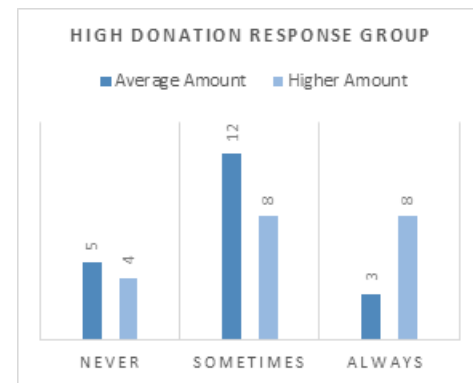


Figure VII

Additionally, the primary reason stated for the increased donation amount was personal involvement with the cause. This aligns with the impure altruism characterisation as personal involvement is necessary to incentivise the intrinsic motivation to help with a larger amount of money.

Limitations

The sample size of the data collected, due to a lack of access to resources, is too small to make conclusive results about the much larger population set. Additionally, a majority of the data collected consist of respondents from high and higher-middle class families and, thus, might not be a true representative sample of the population.

Response biases, in the form of social desirability and conformity bias, might be operative. It can be hard for respondents to openly express non-conformity when asked to self-report their behaviour, beliefs, and opinions; this is especially true when the respondent believes they may be viewed in a negative light. In such cases, respondents tend to provide a socially acceptable response, sometimes subconsciously, over their true feelings. We have attempted to eliminate such biases by assuring the respondents anonymity. However, the possibility of such distortions cannot be overlooked.

Further surveys need to be conducted to achieve a larger sample set to validate the results of this paper and eliminate the limitations we have faced.

Conclusion

The paper seeks to analyse the relationship between individual charitable giving and follow up behaviour. In our analysis, we observe that follow up behaviour increases with a rise in the amount donated across low, lower-middle, higher-middle and high donation response groups and sub-groups of financial independence and dependency. Further, the two primary reasons behind not following up on the donated amount were associated with not being aware of the procedure or available resources to follow up, or donating to NGOs or organisations with an established and outstanding reliability. Additionally, few individuals considered the amount donated as too small in concern to follow up on. This aligns with pre-existing literature and leads us to conclude that an effective method to build the behaviour of following up on donations to NGOs or charitable organisations would be to facilitate transparent action paths to understand how the donated amount is being utilised and demonstrate reliability in their operations to develop trust among donating groups.

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