

Eight Mechanisms That Drive Charitable Giving*

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An overwhelming body of knowledge is available on philanthropy in the social sciences. Research on philanthropy appears in journals from very different disciplines. We present an overview of research on determinants of charitable giving from all disciplines.

Why Do People Give?

Experiments in economics, sociology, social psychology, biology, and marketing have shown how situations can be created that encourage giving. The situations in these experiments are created by researchers, which allows for causal inferences about determinants of giving. From these experiments, conclusions can be drawn about why people give. We reviewed this literature and identify eight mechanisms as the key mechanisms that have been studied as determinants of philanthropy. They are (a) awareness of need; (b) solicitation; (c) costs and benefits; (d) altruism; (e) reputation; (f) psychological benefits; (g) values; (h) efficacy.

Below we present the eight mechanisms that drive giving. The order in which the eight mechanisms are presented does not reflect the importance or causal strength of the mechanisms. Rather, the order corresponds to the chronological order in which they affect giving in the typical act of donation. For each mechanism, we present the main effect. In many cases, these main effects can be moderated (or sometimes mediated) by other factors. Moderating factors are factors that weaken or strengthen the effect of the mechanism: conditions or personal characteristics that interact with the main effect.

Mechanism 1: Awareness of Need

Awareness of need is a first prerequisite for philanthropy. People have to become aware of a need for support. Awareness of need is a mechanism that is largely beyond the control of donors, preceding the conscious deliberation of costs and benefits of donating. It is the result of actions of beneficiaries (who seek help) and charitable organizations (who communicate needs to potential donors).

The effects of need have been documented mostly in social psychology, beginning with a series of field experiments from the mid 1960s onwards. In these experiments a variety of

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helping behaviors were studied. Generally speaking, the degree of need for help is positively related to the likelihood that help will be given.

Experiments usually manipulate need by exposing participants to needy victims. In focus groups, donors cite knowing a (potential) beneficiary as a motive for charitable contributions. Survey studies also suggest that awareness of need is increased when people know potential beneficiaries of a charitable organization. Awareness of need is facilitated by the (mass) media. More extended media coverage of an earthquake, for example, has a strong positive relationship with private contributions supporting those affected. In turn, the amount of attention the media pays attention to beneficiaries' needs depends on, among others, the number of beneficiaries (or those affected in the case of disasters), and the demographic and psychological distance between potential donors and beneficiaries.

Mechanism 2: Solicitation

A second mechanism that precedes the conscious deliberation of various types of costs and benefits of donating is solicitation. Solicitation refers to the mere act of being solicited to donate. The way potential donors are solicited determines the effectiveness of solicitations. The effects of different methods are captured by the other mechanisms. Studies on solicitation have appeared in journals from a variety of disciplines, including marketing, psychology, and economics.

A large majority of all donation acts occurs in response to a solicitation. According to survey studies, in 1996 in the US, 85% of donation acts are preceded by a solicitation for a contribution. In the Netherlands, 86% of the donation acts are preceded by a solicitation. The evidence from these cross-sectional studies is complemented by the earlier experimental finding showing that actively soliciting contributions rather than passively presenting an opportunity to give increases the likelihood that people donate. The implication is that the more solicitations for donations people encounter, the more likely they are to give. Survey studies in marketing and sociology usually find that receiving a higher number of solicitations for charitable contributions is associated with increased philanthropic activity. This does not imply that fundraising organizations should mindlessly increase the number of individuals receiving their appeals, as receiving too many requests for donations results in irritation and consequently lower compliance rates.

Mechanism 3: Costs and Benefits

The third mechanism covers the material costs and benefits associated with donating, defined here as “tangible monetary consequences of making a donation” Effects of costs and benefits are most often documented in studies in economics and marketing.

It is clear that giving money costs money. When the costs of a donation are lowered, giving increases. This is not only true for the absolute costs, which can be lowered through fiscal incentives, but also for the perception of the costs of a donation. This is not to say that philanthropy is motivated by material self-gain because a donation by definition costs money. Economists have studied the empirical effects of the price of giving on philanthropy using survey data and tax files in many papers since the 1970s. A meta-analysis shows that estimates of the price effect are generally negative, but vary widely between studies, depending on the scope of the sample and the statistical methods used. More recent estimates of price effects, based on econometric models developed for the analysis of panel data, tend to be lower than estimates from earlier studies.

Occasionally, donations to charitable organizations buy benefits: e.g., services or other “selective incentives”. For instance, when donors to universities, museums, or symphony orchestras get access to exclusive dinners, meetings, or special concerts. Offering access to exclusive services in exchange for contributions brings giving closer to buying. There is a danger in offering material benefits for charitable contributions. When people receive material benefits for helpfulness, they tend to undermine self-attributions of helpfulness, which reduces the effect of prosocial self-attributions on future helpfulness.

Mechanism 4: Altruism

An obvious reason why individuals may contribute money to charities is because they care about the organization’s output, or the consequences of donations for beneficiaries. Economists, who dominate the study of this mechanism, have labeled this motive “altruism”. Purely altruistic motivation (in the economic sense) would lead individuals who learn about an increase in contributions by others with US\$1 to reduce their own contribution with US\$1. This is called a “crowding out” effect. Numerous studies in economics have sought to estimate the magnitude of crowding out. Results of empirical studies testing for crowding out effects show that crowding out may exist, but is often less than perfect: A US\$1 dollar increase in governmental spending decreases private giving with less than US\$1. Some studies find no crowding out effect at all, and some studies even find crowding in-effects. One study found that increased government support was correlated with a higher number of donors but with lower average private contributions.

Theoretically, the often less than perfect crowding out implies that other and perhaps more powerful things besides altruism motivate donations. From the behavior of donors we can infer that they do not care so much about the public benefits generated by their contributions. The private benefits or selective incentives for contributions dominate altruistic motives. Hence

donors may be called “impure altruists”. In practice, the findings imply that charitable donations are unlikely to make up for severe government cuts in nonprofit funding.

Mechanism 5: Reputation

The mechanism of reputation refers to the social consequences of donations for the donor. Reputation is studied most often in psychology and economics, together accounting for about two thirds of the studies on this mechanism.

Giving is usually viewed as a positive thing to do, especially when giving reduces inequality, and when giving is less costly, beneficiaries are not to blame and is more effective. Thus people who give to charitable causes are held in high regard by their peers. They receive recognition and approval from others. Laboratory experiments with abstract public goods games by economists and social-psychologists reveal that individuals are willing to incur costs to recognize generous contributions. Conversely, not giving damages ones reputation. This is especially true when donations are announced in public or when they are directly observable. Opportunities to gain or maintain a positive reputation (naming) or avoid a bad one (shaming) in social situations promote giving.

Mechanism 6: Psychological Benefits

Giving not only yields social benefits but also psychological benefits for the donor. A large majority of all studies on this mechanism is conducted by (social) psychologists who have shown that giving may contribute to one’s self-image as an altruistic, empathic, socially responsible, agreeable, or influential person. In addition, giving is in many cases an almost automatic emotional response, producing a positive mood, alleviating feelings of guilt, reducing aversive arousal, satisfying a desire to show gratitude, or to be a morally just person.

There is ample evidence from studies on helping behavior that helping others produces positive psychological consequences for the helper, sometimes labeled “empathic joy”, “warm glow” or “joy of giving”. Recent evidence from neuropsychological studies suggests that donations to charity result in activity in brain regions that are known to activate our reward system. There are several reasons why humans may have pleasurable psychological experiences on giving: people may alleviate feelings of guilt (avoid punishment), feel good for acting in line with a social norm, or feel good for acting in line with a specific (prosocial, altruistic) self-image.

Positive moods in general may motivate giving. A positive mood may also be induced by the question “how do you feel today?” Most people answer positively to this question (“I’m fine, thank you”) and are subsequently more likely to comply with a request for a donation. This is

called the “foot-in-the-mouth effect”. Simply telling prospective donors that donating will bring them in a good mood increases giving, especially when victims are depicted as innocent. Donors also self-report “feeling good” as a motive for donating to charitable causes. Survey studies have also provided evidence of a link between an altruistic self-image and charitable giving.

Mechanism 7: Values

In the eyes of donors, the works of nonprofit organizations may make the world a better place. Attitudes and values endorsed by donors make charitable giving more or less attractive to donors. Donations can also be instrumental to exemplifying one’s endorsement of specific values to others, but this is captured by the mechanism of reputation. Studies on the effects of values are most often published by journals in sociology, psychology, and philanthropic studies.

Endorsement of prosocial values generally has a positive association with charitable giving. Because values are difficult if not impossible to manipulate, experimental studies on the effects of social values on philanthropy are virtually nonexistent. Survey studies, mostly conducted by sociologists and marketing scientists, show that people who have more prosocial values are more likely to give because they are motivated to make the world a better place. Typically, religious values are related to prosocial values.

Through giving, donors may wish to make the distribution of wealth and health more equal; they may wish to reduce poverty, empower women, safeguard human rights, to protect animals, wildlife, or the ozone layer. Supporting a cause that changes the world in a desired direction is a key motive for giving that has received very little attention in the literature. The desire for social justice is most often studied in relation to philanthropy. A stronger similarity between personal values and organizational values increases the probability that a donation to that particular organization is made.

Mechanism 8: Efficacy

Efficacy refers to the perception of donors that their contribution makes a difference to the cause they are supporting. Efficacy is most often studied in philanthropic studies, economics, and psychology, respectively. Survey studies reveal that when people perceive that their contribution will not make a difference, they are less likely to give or leave a charitable bequest. These findings may be the result of reverse causality and/or justification. Although efficacy has been studied extensively in the helping behavior literature, we have been unable to locate any experimental studies on philanthropy that manipulated efficacy. Providing donors with information about the effectiveness of contributions has positive effects on philanthropy. It appears that financial information is especially influential among committed donors.

Perceived efficacy is a likely explanation for the effects of leadership donations and seed money that have been studied extensively by economists. When people see that others give to a charity, they can take this as a signal that others have confidence in the organization. The leadership effect was described earlier by social psychologists as a “modeling effect”. A matching offer by a third party (e.g., one’s employer or the government) can also have a legitimizing effect: People will think that the third party had enough confidence in the organization to offer the matching contribution. Endorsement of a charity by a high status person is also likely to generate higher donations through a legitimization effect.

Surveys reveal that donors have an aversion against expensive fundraising methods, although donors often overestimate fundraising costs of charitable organizations. Perceptions of efficacy are related to charitable confidence and perceptions of overhead and fundraising costs. Donors who have more confidence in charitable organizations think their contributions are less likely to be spent on fundraising costs and overhead. Such beliefs about the efficacy of charitable organizations are likely to promote giving.

How Do the Mechanisms Relate to Each Other?

The relative influence of each of the eight mechanisms—whether donations are primarily made in response to awareness of need, solicitation, costs and benefits, altruism, reputation concerns, psychological rewards, or efficacy—is unclear. Multiple motives are likely to operate simultaneously and the mix of these motives differs over time, place, organizations, and donors. It is also likely that the eight mechanisms have interactive effects (e.g., that awareness of need may promote giving more strongly when efficacy is high). We think that identifying systematic patterns in the mix of the mechanisms and interactions among them is an important task for future research.

Throughout our review, we have distinguished experimental from survey studies. Each of these methods has its own advantages and disadvantages. Experiments typically test for short-term effects of manipulations, create artificial conditions, and rely on small groups of participants (university students). Strictly speaking, results cannot be generalized to the general population. The advantage of experimental control is the potential to draw causal inferences. Survey studies typically investigate donations over a longer period to real organizations among population samples but cannot be used to infer causation. Much would be gained by combining the strengths of the two methods. We hope that with this review, researchers using either method will become more aware of the insights gained in studies using the other method.