Who Contributes to Charitable Organizations?

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Abstract

The purpose of the study was to learn which factors predict who will make charitable contributions and the relative importance of these factors. The results of logistic regression showed that volunteering was the most important predictor. This supports the social responsibility norm which prescribes that help should be given to needy people even if they cannot reciprocate. Income was the second most important predictor of making charitable contributions. High income individuals might have considered both the costs and benefits of contributing to charitable organizations.

Introduction and Purpose

There are several theories that might explain charitable giving. Social exchange theory assumes that individuals are motivated to minimize their costs and maximize their rewards when interacting with others (Myers, 1996). For example, giving provides a sense of self worth, an intangible reward, and the tax saving advantage of contributing to charity, a tangible reward. According to the social norms theory, people help others because of social expectations. The social-responsibility norm is the belief that people should help those in need without expecting anything in return (Myers). Although these theories might explain helping behavior in general, research is needed to test whether they apply to the donation of money to a charitable organization. The purpose of this study was to learn which factors predict who will make charitable contributions and the relative importance of these factors in the likelihood of making a donation. The study

investigated demographic, economic, human capital, and altruistic factors.

Demographic Characteristics

Age. Kahana, Midlarsky and Kahana (1987) found that people donated more in their middle years, but Midlarsky and Hannah (1989) reported that the elderly were more frequent donors than any other age group. For this study, it was hypothesized that older individuals would be more likely to donate than would younger individuals.

Gender. Women rate themselves, and others also rate them, as being more empathetic and altruistic than men (Gallagher, 1994; Wilson & Musick, 1997). According to the Independent Sector (1999), 48% of men and 52% of women were donors. It was expected that women would be more likely to donate to charitable organizations than would men.

Race. Research on race and charitable giving has been minimal. Findings from the Independent Sector (1999) revealed that among contributors, 82% were white, 10% were black, and 8% were Hispanic. The average donation was $1,174, $658, and $504, respectively. In addition, Blacks were less likely to engage in another type of helping behavior, volunteering (Wilson & Musick, 1997). The authors argued that race differences could be accounted for partly by the lower human capital and social resources of African Americans compared to whites. Thus, it was hypothesized that whites would be more likely to donate to charity than would other ethnic groups.

Household Size. Dinkins (1991) showed that married couples with or without children donated more than did single-headed households. Moreover, married couples with children gave more to religious and educational organizations, while married couples without children gave more to charitable and political organizations. It was hypothesized that those with more family members would be more likely to donate to charity than those with fewer family members.

Human Capital

Education and Health. Investing in human capital can take many forms (Becker, 1993), such as formal schooling, on-the-job training and experience, and maintaining and improving one's health. A major reason individuals invest in human capital through formal schooling is to increase income and eventually, net worth. The positive relationship between education and charitable giving is well known (Dinkins, 1991; Drollinger & Johnson, 1995; Harvey & McCrohan, 1988). The theory and findings on human capital led to two hypotheses. It was hypothesized that there would be a positive relationship between education and the likelihood of donating to charity. Also, those in good health would be more likely to donate to charity than would those in poor health.

Economic Characteristics

Income. Previous researchers have shown that income has a positive effect on the likelihood of donating to charity (Dinkins, 1991; Drollinger, 1997; Harvey & McCrohan, 1988). Interestingly, households with income above $50,000 were more likely to give than were lower-income households, but they gave a lower average percentage of their income, (2.2% versus 5.25%) (Independent Sector, 1999). It was hypothesized that there would be a positive relationship between income and the likelihood to donate to charity.

Homeownership. Drollinger and Johnson (1995) found that homeowners were more likely than renters to give to charitable organizations. The Independent Sector (1999) found that homeowners donated a higher percentage of their income to charity than did renters. Thus, it was hypothesized that homeowners would be more likely to donate to charity than would renters.

Spending versus Income. No research was found that examined the relationship between overspending and the likelihood to donate to charity. Over-spenders were more likely to

have low incomes (Bae, Hanna, & Lindamood, 1997), and low-income households were less likely to give to charity. Thus, it was hypothesized that those who spend less than their income would be more likely to donate to charitable organizations than would those who spend more than, or equal to, their incomes.

Luck with Financial Affairs. Individuals who feel that they have been lucky with financial affairs were hypothesized to be more likely than others to donate to charity.

Altruistic Characteristics

Leaving an Inheritance. The intention to leave an inheritance to heirs might deter someone from donating to charity (Myers, 1996). This is known as a substitution effect. Drollinger and Johnson (1995) found a substitution effect for leaving an inheritance versus donating to charity. For this study, it was hypothesized that the intention to leave a sizeable estate to heirs would be negatively related to the likelihood to donate to charity.

Volunteer Work. People with children volunteer more than those without children (Wilson & Musick, 1997). Farmer and Fedor (2001) found a positive relationship between hours volunteered per month and the amount of money donated in the past year. It was hypothesized that those who volunteer would be more likely to donate to charity than would people who do not volunteer.

Methodology

The 1998 Survey of Consumer Finances (SCF) comprised the data used to test the hypotheses. The Survey is sponsored by the Federal Reserve Board, and its purpose is to provide detailed information about the finances of U. S. families (Federal Reserve Board, 2001). The sample for the study consisted of 4,295 households with positive incomes.

The dependent variable was measured using the question, "During 1997, did you make charitable contributions of money or property totaling $500 or more?" Respondents were asked not to include contributions to political organizations. A positive answer was coded as a 1 and 0 represented a "no." Forty-eight percent of the households reported giving to charitable organizations.

A logistic regression with the option for standardized estimates was used to estimate the parameters of factors in the model. Logistic regression models the probability that an event occurs; the dependent variable is coded as 1 for the occurrence of the event and 0 otherwise. The standardized estimates for beta show the relative importance of each factor. A search of previous studies did not reveal any study indicating the relative importance of factors affecting charitable contributions. Thus, the results should provide an important contribution to the literature on charitable giving.

The following independent variables were included in the analysis: age, race, gender, education, household size, income, spending behavior with respect to income, homeownership, volunteer work, intention of leaving an inheritance, and health. An age-squared term was included to determine if the relationship between age and charitable contributions was linear or whether individuals were less likely to donate as they became older. The log of income was used to overcome the skewness due to the purposeful overrepresentation of wealthy households in the data. A correlation analysis showed no evidence of problems with multicollinearity.

Because the SCF oversamples wealthy households, summary statistics have been weighted to reflect the U. S. population as a whole. A typical household head in the sample was 49 years old, had completed 13 years of education, and was in good health. Seventy-eight percent of the household heads were white, 72% of the households had a male head, and 58% of the households owned their homes. The average household size was two individuals. The average household income was $52,528; 17% of all households spent more than their income in the past year,

41% spent an amount equal to income, and 42% spent less than their income. Seventy-two percent said that they "somewhat or strongly agreed" that they had been lucky in financial affairs compared to others of their generation and background. Twenty-six percent volunteered one hour or more per week, and 50% of the household heads expected to leave an estate to others.

Results

Results of the logistic regression are presented in Table 1. As shown by the standardized estimates, the relative importance of the variables from most to least was: volunteer work, income, homeownership, spending less than income, bequest intention, education, health, household size, and age.

Volunteers were 209% more likely to donate to charity than were non-volunteers. As income increased by one logged value, the household was 100% more likely to donate. Homeowners were 79% more likely to donate to charity than were renters. Households who spent less than their income were 33.1% more likely to donate than those who spent an amount equal to their income. Those who planned to leave a bequest were 32.9% more likely to donate than were those who did not plan to leave a bequest.

As educational attainment of the household head increased by one year, households were 19% more likely to donate to charity. As the health of the household head increased by one unit (for example, from good to excellent), the likelihood of the household donating to charity increased by 18%. As household size increased by one individual, the likelihood of donating increased by 8%. As age increased by one year, the likelihood of donating increased by 5%.

Table 1
Determinants of Likelihood to Donate to Charitable Organizations in the 1998 SCF (N = 4,295)

Parameter	Estimate	Stand. Estimate	Standard Error	Pr> ChiSq	Odds Ratio
Intercept	-4.4077		0.6039	<.0001 ***	
Demographic Factors					
Age	0.0493	0.4496	0.0169	0.0035 **	1.051
Age-squared	-0.0001	-0.1232	0.0001	0.4108	1.000
Male head of household	0.0786	0.0179	0.1162	0.4990	1.082
Household size	0.0751	0.0569	0.0360	0.0368 *	1.078
White	0.1879	0.0405	0.1177	0.1104	1.207
Human Capital					
Education	0.1776	0.2843	0.0183	<.0001 ***	1.194
Health	0.1687	0.0746	0.0587	0.0041 **	1.184
Economic Factors					
Log of income	0.6952	0.7329	0.0529	<.0001 ***	2.004
Homeowner-ship	0.5792	0.1546	0.0987	<.0001 ***	1.785
Spend less than inc.	0.2858	0.0788	0.0946	0.0025 **	1.331
Spend more than inc.	0.0669	0.0129	0.1295	0.6056	1.069
Luck with fin. Affairs	0.2125	0.0525	0.1247	0.0884	1.237
No luck with fin. Affairs	0.2394	0.0464	0.1592	0.1326	1.271
Altruism Factors					
Intent to leave estate	0.2845	0.0766	0.0880	0.0012 **	1.329
Volunteer 1 hour/week or more	1.1290	0.2920	0.0918	<.0001 ***	3.093
R-squared = 0.4136					

*p < 0.05, ** p < 0.01, *** p < 0.001

Discussion and Implications

On one hand, the finding that volunteer work contributed the most to the likelihood to donate could give support to the social responsibility norm, which prescribes to help needy people even if they cannot reciprocate. In addition, better-educated and more healthy people might give out of pure generosity, conscious that fortune has favored them. On the other hand, there is also some evidence leaning toward the social exchange theory. Due to data limitations, it was impossible to measure the tax saving advantage of contributing to charity. However, one can assume that high-income individuals would benefit from their donations, which supports the idea that costs and rewards could be weighted when giving. More research is needed to investigate the contribution of the different theories of altruism to explain charitable donations.

Spending less than one's income was found to have a positive influence on the likelihood to donate. This finding indicates to consumer educators the need to help people who lack budgeting skills. Consumer educators also should sensitize young people to the importance of giving back to the community. Moreover, when planning for retirement, consumers should be encouraged to save not only for their heirs but also for organizations that, directly or indirectly, they have benefited from at some point in their lives.

The cross-sectional nature of the data does not indicate whether the household is a frequent or occasional donor. Longitudinal data would be useful to design different educational strategies for frequent and occasional donors. Also, it may be of interest to examine charitable contributions by specific demographic groups. An oversampling of minority groups and female-headed households may provide greater insight into differences in giving by ethnicity and gender.

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