



# Relational altruism and giving in social groups



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## ABSTRACT

Much fundraising is done by individuals within existing social groups. Exploiting a unique dataset, we demonstrate (i) a positive relationship between social group size and the number of donations; (ii) a negative relationship between group size and the size of individual donations; (iii) no clear relationship between group size and the total amount raised. Free riding with respect to the activity being funded cannot explain the relationship between group size and donation size, since the number of social group members is only a subset of total contributors. Instead, the findings are consistent with the notion that giving in social groups is motivated by “relational altruism”.

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## 1. Introduction

Donations by individuals are an important source of income for charities – more than \$200 billion is donated annually in the US and £10 billion in the UK – yet underlying individual motives for giving are not well understood. One possibility is that donors are motivated to give for altruistic reasons; that is, they care about the total amount of public good that is provided. Another is that donors give because they gain direct utility from the act of giving; that is, they experience a “warm glow” from giving (Andreoni, 1990). There is also interest in how donations may be determined in a “charity market” (List, 2011) where donors interact with other key players, including fundraisers and/or charities who are active in seeking donations through their own fundraising efforts. Yet another possibility is that donors are motivated by a personal relationship with a fundraiser. This may be important in practice given that charitable giving often takes place in social settings that are unrelated to the charitable activity, with the fundraising request coming not from a charity representative but from someone known to the donor. One example is individual-led

fundraising, in which individuals engage in fundraising activities and ask their networks of friends, family and colleagues to make sponsorship donations to charity.<sup>1</sup> Table 1 summarizes survey evidence on donors’ perceptions of the factors that were important determinants of how much they gave in response to an individual fundraiser, showing that the personal relationship between the donor and the fundraiser comes near the top – well above tax incentives, for example.

In this paper, we propose the idea that, in social group settings, there may be a “relational altruism” motivation for giving. By this we mean a motivation to give that comes from a donor’s altruism towards a member of their social group who engages in individual fundraising activities and who experiences a warm glow from the amount of money that is raised from their fundraising effort. In practice, where fundraisers solicit donations from their existing social groups, the size of social groups – and therefore the size of the potential donor pool – is likely to vary. In our data, for example, where the number of Facebook friends is a plausible indicator of social group size, the 10th percentile of the distribution is 77 friends, while the median is 252 and the 90th percentile is 654

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<sup>1</sup> Individual-led fundraising is widespread in many countries, including the UK where 18% of donors report having sponsored family and friends for charity in the past year (source: Citizenship Survey, 2008–09, Department for Communities and Local Government, 2009).

**Table 1**  
Which factors are important in deciding how much to give?

	Very important	Somewhat important	Not very important	Not at all important	Not applicable
A sense that money will be used efficiently/ effectively	56.1%	35.0%	6.9%	1.6%	0.6%
The charity's cause or mission	45.1%	44.1%	8.4%	1.9%	0.6%
My income and what I can afford	45.3%	42.3%	9.0%	2.5%	0.8%
A personal connection to the fundraiser	41.5%	43.4%	10.6%	3.5%	1.1%
The fundraiser's reason for fundraising	38.0%	48.0%	10.1%	3.0%	1.0%
The reputation of the charity	32.7%	47.5%	15.3%	3.4%	1.0%
Tax relief (i.e. Gift Aid)	21.7%	34.8%	23.5%	14.3%	5.8%
Type of fundraising event	14.4%	45.8%	29.8%	8.6%	1.5%
The name of the charity	14.1%	39.4%	32.5%	12.1%	1.9%
The total amount the fundraiser is seeking to raise	3.3%	28.0%	38.9%	24.9%	5.1%
How much other people have given to the fundraiser	2.7%	21.6%	39.0%	33.1%	3.7%
An individual amount suggested by the fundraiser	1.4%	15.9%	39.6%	29.9%	13.2%

Note to table: These responses are from a survey of users of an online giving platform carried out in 2012. The relevant sample for this question consisted of 17,989 people who had previously sponsored a fundraiser. For further information see Payne et al. (2012).

friends. Such variation may have implications for fundraising outcomes. We explore this conjecture theoretically and empirically by focusing on the relationship between the size of the fundraiser's social group and donation behaviour in the individual fundraising context.

At first sight, the idea that group size should affect the behaviour of individual donors might appear to be a straightforward implication of non-cooperative models of giving (as developed by, among others, Warr, 1983, and Bergstrom et al., 1986), in which individuals make private contributions towards a pure public good and that predict that, as the number of contributors to a public good increases, the size of contributions will fall. Indeed, this is the relationship we observe in our data – in larger social groups, we observe more donations, but each donor tends to give less. However, the crucial difference between this case and our setting is that the size of the social group we observe does not correspond to the total number of contributors to the public good provided by the charity. For the charities in our sample, the amount of money raised by any individual fundraiser typically makes an insignificant contribution towards the overall level of charitable provision. The most popular charity for which people fundraise is Cancer Research UK for whom the £100 million received in donations each year completely dwarves the amount raised by any individual fundraiser. In our analysis, we show that social group size is negatively correlated with contribution size across different fundraisers who are raising money for the same charity. Since these fundraisers face the same number of total contributors, we need a different explanation to explain the negative relationship between social group size and contributions in our data.

Our preferred explanation is that, if donors are motivated by relational altruism – i.e. if a donor cares about the fundraiser and the fundraiser cares about how much they raise – then the amount of money raised by the individual fundraiser becomes a “local” public good. In this case, as mentioned above, contributions fall with social group size, but the free-riding behavior that generates this outcome stems from altruism that the donor has towards the fundraiser who cares about how much they raise, as opposed to stemming from altruism on the part of the donor towards the charitable cause. There is circumstantial evidence that individual fundraisers *do* care about how much they raise – for example, the fact that the majority set aspirational fundraising targets that are notional (unrelated to specific funding needs) and non-binding (donations are passed to the charity even if the target is not met). It is therefore plausible that fundraising success is a local public good to the social group and thus a public good for which incentives will vary locally with social group size.

Our empirical analysis exploits a unique dataset of individual-led fundraising activity that links the donations made to individual fundraisers' online fundraising pages to an observable proxy for the size of the fundraisers' social group. This is a very rich dataset comprising all donations made to more than 35,000 individual fundraising pages; importantly, our data also contain information about the number

of Facebook friends of the fundraisers. While the number of Facebook friends cannot be taken to be the universe of the fundraiser's entire social group, we find evidence to support the idea that it is a meaningful proxy for social group size, and we show that the number of Facebook friends is positively correlated with the number of donations that the fundraiser elicits. Our key finding is that there is a negative correlation between the number of Facebook friends and the size of donations, across almost the entire distribution of friends. Our estimates also indicate that the magnitude is economically significant – moving from the 10th percentile of the distribution of Facebook friends (77 friends) to the 50th percentile (252 friends), predicted donation size declines by more than 10%; moving from the 10th percentile to the 90th percentile (654 friends), predicted donation size declines by nearly 20%.

This result is robust to including controls for demographic characteristics of the fundraiser that might plausibly be correlated with social group size and to including both charity- and event fixed effects – i.e. we find that donations are smaller for fundraisers participating in the same fundraising event, raising money for the same charity, but who have larger social groups. We also show that the negative correlation between the number of Facebook friends and donation size holds when we run separate regressions by the order of the donation on the page (i.e. for the first, second, third donation on each page and so on) and we also show that it holds for the size of the maximum donation to a page. We interpret these findings as indicating that a smaller mean donation size cannot simply be attributable to a negative marginal effect from the additional donations that are made in larger groups, but that larger group size tends to be associated more generally with smaller donations by all group members.

Our paper builds on the existing literature on the relationship between group size and private contributions to public goods, but adds to it along several important dimensions. Models of non-cooperative private provision of public goods that are based on collective consumption motives predict that individual donations are negatively related to the total number of contributors, i.e. there is free-riding, and that individual contributions approach zero as the number of contributors become very large.<sup>2</sup> This result has been tested in a laboratory setting (Isaac and Walker, 1988; Isaac et al., 1994) and in a real world setting (Zhang and Zhu, 2011). In our case, however, the groups we look at are primarily social in nature; their primary purpose for interaction is not charitable activity. Second, as mentioned above, the members of the social group are only a subset of the total number of potential contributors to the public good, implying that any group size effect on public good provision will be a “local” one, specific to the amount of public good funded by a subset of contributors. Thus, the situation that we study is of how socially-determined divisions of the universe of private

<sup>2</sup> This result is dampened if there are impurely altruistic motives for giving (Andreoni, 1990).

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