



## Information and donations to development aid projects



Maren Elise Bachke\*, Frode Alfnes, Mette Wik

School of Economics and Business, Norwegian University of Life Sciences, P.O. Box 5003, N-1432 Ås, Norway

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### ABSTRACT

We conduct a dictator game where the participants donate money to development aid projects. By varying the project information, we study the impact of different categories of project information on donations. The results are consistent with the literature finding a link between tangibility and generosity. In general, more information about the development projects increase the donations, however, the increase is contingent upon the type of information. For example, recipient and thematic information has on average a significant effect on the donation, while regional information does not.

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### 1. Introduction

Information to potential donors is crucial when collecting money for charities, particularly for international development aid charities with projects far from where they collect the money. The amount and type of information about a development aid project can influence private donors' assessment of the project and as a result affect their donations. However, little research exists on how information affects the level of donations to development aid projects.

Information about charity projects can evoke donors' feeling of altruism, fairness, and inequality aversion, or can affect their perception on how a donation can improve the lives of the recipients. Previous studies on information and charitable giving focused on who receives the money (Schelling, 1968), where the money is spent (Hansen et al., 2014), the type of organization receiving the money (Benz and Meier, 2008; Carpenter, Connolly and Myers, 2008; DellaVigna, List and Malmendier, 2012). The literature also consider how the money is spent (Carlsson and Martinsson, 2001; Cryder, Loewenstein and Scheines, 2013; Johansson-Stenman and Svedsäter, 2008) and the impact of social distance on giving (Eckel, De Oliveira and Grossman, 2007). Recent findings also indicate that generosity toward needy people and just causes increases with the tangibility of the recipient of aid (Cryder and Loewenstein, 2010). All of these studies found that information indeed affects donations. However, to our best knowledge, this is the first analysis to

consider how varying both the amount and the type of information influence the level of donations to a development project.

In this paper, we discuss and experimentally test how the amount and type of information about development aid projects affect the level of donations. This relates to the practice in the field where development organizations have to fight for donors' limited attention, and therefore, carefully must choose what type of, and how much, information to present about their development aid projects. Charity organizations should try to emphasize information increasing the level of donations, and leave less relevant information to the fine prints.

In the experiment, we employ a dictator game to investigate how donations are affected when we vary the information regarding the recipient, region and theme of the charity project. Will people donate a smaller amount if they receive less information about the project? If so, what type of information is the most important for increasing donations? We include four treatments in our analysis, comprising a full-profile treatment, where the participants obtain information about the project theme, recipient, and region, and three other treatments, each of which omits information about one of these three types of information.

### 2. Previous research on charitable giving and information

According to classic economic theory, participants in dictator games should retain all of their money instead of giving it away. However, the general finding in dictator games is that most people give some money away when asked to split an amount of money between themselves and some other party. The most common explanations for this behavior are either internal motivations, such

\* Corresponding author. Tel.: +47 95927989.

E-mail address: [mbachke@hotmail.com](mailto:mbachke@hotmail.com) (M.E. Bachke).

as; altruism, fairness, inequality aversion (Fehr and Schmidt, 1999); warm glow (Andreoni, 1990); identification (Schelling, 1968); and impact philanthropy (Duncan, 2004), or external factors, such as social pressure or status (Akerlof and Kranton, 2000; Kumru and Vesterlund, 2010). For a literature review on empirical studies of philanthropy, see Bekkers and Wiepking (2011) and for a review of the literature on the psychology of charitable donations, see Zagefka and James (2015).

In both dictator games and when donating to charity organizations, people give away money without receiving a good or service in return. Therefore, explanations for the willingness to give or donate in dictator games and to charity organizations are similar (Bekkers and Wiepking, 2011; Zagefka and James, 2015). For instance, altruism, i.e. caring about the welfare of others, can easily explain donations to development aid projects, as the overall objective of development aid is to reduce poverty. The donor may also desire a fairer distribution of the money they have (or the money they received in an experimental setting) to rectify the unequal distribution of wealth. In both settings, they might also be motivated by warm glow, i.e. getting a good feeling by giving away some money.

Recent literature makes a link between tangible information and generosity (Cryder and Loewenstein, 2010). Broadly defined, tangible information is specific and concrete information, as opposed to general and abstract information. Cryder and Loewenstein (2010), building on earlier literature, argue that both the affect (feelings) for the receiver, and the impact the money will have, are important for the willingness to give or donate. They argue that a model linking tangibility and generosity through affect and impact, can explain many of the findings in the earlier literature. Tangible information about the receiver intensifies people's emotional reactions (affect) and tangible information about the impact increases the feeling that one's contribution will make a difference.

Schelling (1968) was the first to report on the *identifiable victim* effect on private contributions, indicating that information about the recipient matters for donations. With a few exceptions, such as Breman and Granström's (2006), the literature finds support for the identifiable victim effect (Bohnet and Frey, 1999; Charness and Gneezy, 2008). In line with the tangibility explanation, the identifiable victim literature finds that the more you know about the recipient the more you will donate.

In Duncan's (2004) impact philanthropy model, he claims that the donors not only care about who the recipient is, but also about the *impact* the donation will have on the recipient's life. The impact depends upon the neediness of the recipient. Similarly, Bekkers and Wiepking (2011) argue that people are more motivated to donate to certain development aid projects if they believe the project can move the world in some preferred direction. Borgloh, Dannenberg and Aretz (2013) find support for this as they see that people prefer to donate to smaller charities where their contributions have a higher relative impact.

Following the tangibility explanation, it is important that a donor's specific contribution is likely to make a significant impact on someone's life. Cryder, Loewenstein and Seltman (2013) find that people are more willing to donate to projects that are close to reaching their donation goal, and they explain this by a heightened sense of personal impact. Cryder, Loewenstein and Scheines (2013) find that adding detailed information about the possible use of the money, affects the donations. They described Oxfam as an efficient aid organization and added the following line to one of the treatments in their experiment/dictator game: "One example of how Oxfam uses funds is by providing individuals with access to clean water". This detail, making the aid organization more tangible, increased the donations. This indicates that when the donors have a clearer idea of how their donation will be used, and that it

will actually make a difference in the life of the receiver, the more money he or she will donate.

### 3. The experiment

We conducted our experiments at a Norwegian university in October and November 2009. Hundred and eighty-nine students participated in one of nine sessions lasting approximately one hour. Participants received an envelope containing NOK 250 upon arrival.<sup>1</sup> After filling out a questionnaire about their attitudes toward development aid, they participated in a dictator game, where each participant had to decide how to split the NOK 250 between her- or himself and a development aid project. See Bachke, Alfnes and Wik (2014) for a detailed description of the experimental design.

#### 3.1. The dictator game

We constructed an experiment where the participants made donations in repeated dictator games. At the end of the experiment, one of the dictator games was randomly drawn, and the result from this particular dictator game decided the actual donation (Bachke, Alfnes and Wik, 2014).<sup>2</sup> The experiment included the profiles of 60 development aid projects, and each participant evaluated 15 of these profiles. A full project profile would include the following three groups of project characteristics: *recipient* (children, girls, boys, women, or men), *region* (Sub-Saharan Africa, South and South-East Asia, Middle East, Latin America, or Eastern Europe), and *project theme* (education, health, peace and reconciliation, agriculture, or business development). These characteristics are all relevant for Norwegian non-governmental development organizations (NGOs) working on international development.

#### 3.2. The four treatments

We included four treatments in the dictator game, where we varied the amount of information the participants received. The treatments were; the "full-profile treatment"; the "no-recipient treatment"; the "no-theme treatment"; and, the "no-region treatment". In the full-profile treatment, the participants received a complete project profile description, including information about the recipient, theme, and region, as presented in the first panel of Table 1. In the no-recipient treatment, we did not include information about the age or gender of the recipients (second panel of Table 1). In the no-region treatment, we did not mention the region of the projects (third panel of Table 1). Finally, in the no-theme treatment, we did not provide information about the theme of each project (fourth panel of Table 1).

#### 3.3. The sample

All participants were students, with an average age of 22 years. Table 2 describes number of participants and gender balance for each group. Despite the randomization of participants into treatments, there were significantly ( $t=2.20$ ) more men in the no-theme treatment than in the others.

<sup>1</sup> According to [www.oanda.com](http://www.oanda.com), NOK 1=USD 0.17 and NOK 250=USD 43.02 on October 1, 2009.

<sup>2</sup> See Bachke, Alfnes and Wik (2014) for further information on conjoint analysis, factorial design and results related to the donations for the different characteristics. See also Hansen et al. (2014) for a study of how charity donations are affected by characteristics of the recipient country.

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