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## Community Influences on Individual Philanthropy: The Impact of Social Capital, Perception, and Demographics on Charitable Giving

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Soc 599  
Literature review  
March 28, 2010

## **Community influences on individual philanthropy: the impact of social capital, perception, and demographics on charitable giving**

### **I. INTRODUCTION**

Why do people donate money? The phenomenon of donation is rarely questioned, and yet remains an integral part of society. Studying philanthropy, described as “private action for the public good” by Brown and Ferris (2007:85), is informative because it shows how well individuals can identify and fight social problems. With 1 million charities in the United States in 2008, the nonprofit sector employing 7 percent of the workforce, and donations making up 2.2 percent of the GDP, philanthropy is a visible presence in US society (NPT 2008). Because of this, it is important to call into investigation the elements that influence financial donations, such as social, human and financial capital, as well as perceptions of donation behavior demographics. The concept of social capital, defined by Dillon (2010) as “individuals’ ties or connections to others” (255), is essential to understanding how donation occurs (Brown and Ferris 2007). Additionally, perceptions of others donation behaviors are also important in influencing an individual’s participation in donation as well as how much they donate. Human and financial capital are associated with ability to donate. Demographics like education and gender have also been shown to be strongly associated with philanthropic behavior (Andreoni Brown and Rischall 2003; Lee and Chang 2007). I hypothesize that in order for donation to occur, a person needs both inclination and capacity to give, inclination to give being formed by social capital and perceptions of other’s donation behaviors, and capacity to give coming from human and social capital. I also believe that social capital will have the strongest influence on donation behavior.

Finally, I hypothesize that certain demographics will have higher associations with donation behavior than others.

Before looking at donation from a sociological perspective, it is important to understand how other disciplines explain the phenomenon. Economists often use the rational choice theory when discussing why people choose to donate (Wang and Graddy 2008: 25). The rational choice theory asserts that tax incentives and the feeling of “warm glow” afforded by donation are two benefits that come from financial donation, and influence people’s decisions to donate. When tax rates drop people donate more (Brooks 2005: 3). Religion is also cited as a reason many donate, as many religions include charity as part of their doctrines (Wiepking 2009: 1982). But these aspects of donation do not show the whole picture of what goes into donation. I aim to show that charitable giving is the product of an intersection between social forces like social capital and religion and human nature. This paper explores the motivations for charitable giving and how to objectively study them.

## **II. PREDICTING CHARITABLE GIVING**

According to Wang and Graddy (2008), in order to donate a person needs to meet two criteria. They need to have an inclination to give and the capacity to do so (28). Inclination to give is associated with connection to charitable organizations by way of social capital and its sub categories as well as perception of others donation behaviors. Alternately, capacity to give is constructed by possession of human capital and financial capital. Social, financial, and human capital will be defined below.

### **A. Inclination to give**

Inclination to give is complex, and there isn’t a single definitive variable that leads someone to donate money. Without it however, donation cannot occur. If someone has no desire to give, they

simply won't. Inclination is most heavily influenced by social capital which connects people to charitable organizations and public perceptions of donation behavior, which encourage and reinforces donation behaviors.

### **i. Social Capital**

What is social capital? A somewhat mystical quality, social capital is defined differently by separate sources. Dillon (2010) defines social capital as "individuals' ties or connections to others; can be converted into economic capital" (255). Putnam (1995) states that social capital consists of networks, norms and social trust that facilitate coordination and cooperation for mutual benefit (65). Putnam also asserts that charitable giving, while associated with social capital, is not actually social capital, rather it is influenced by social capital(67). Social capital is best displayed by five central aspects: bridging social networks, informal or bonding networks, civic engagement, organized group activism, and the most important, trust.

Bridging social networks are an essential part of social capital. Social networks are positively associated with charitable giving. Putnam (1995) believes that they provide a means of access to learn about philanthropy (70). They also teach trust and encourage attention to others. Trust in others extrapolates to trust in the cause that someone donates to (Wiepking 2009: 1977). Central to trust is a belief in a gain of resources for all in a long-term view. If a person does not trust their community, they will not contribute to organizations that are involved in that same community. Bonding social networks are the relations within groups of similar people (Wang and Graddy 2008: 28). These informal social networks are the close relationships people hold with relatives and friends, as well as others to whom they are close (Wang and Graddy 2008: 27). It is within these close relationships that people develop trust in others that they can eventually apply to society at large (Brown and Ferris 2007: 90). Bridging social networks on

the other hand are those that expand outside this area and represent the range of contacts we form (Brown and Ferris 2007: 88). Brown and Ferris (2007) also state that associational networks increase relationships in which donations will be asked for, both in religious and secular cases (p. 94).

Civic engagement translates to formal group involvement (Wang and Graddy 2008: 29). This can be anything from a local homeowners association to a PTA or a church. People become involved with groups usually because of shared interests, and build a sense of fraternity with other group members (Wiepking 2009: 1976). Civic engagement is one of the top determinants of charitable giving (Wang and Graddy 2008: 17). It displays the range of a person's networks, as someone with more civic engagement will be involved in more diverse aspects of the community. Finally, organized group activism is the degree to which someone participates in civic engagement (Wang and Graddy 2008: 29). This refers more to the intensity of a person's networks than range. The more involved someone is, the more they will donate (p. 29).

Brooks (2005) is interested in the degree to which elements of social capital are influential in regards to charitable giving. This information could be useful in deciding how to affect donations. He believes that elements of social capital that are not time consuming have stronger impacts on philanthropy because they do not limit opportunities to make money and they are also easy to do (p. 4). Something like trust may not be difficult or time consuming, but being on the PTA is time consuming and takes effort.

#### **a. Measuring social capital**

If it is hard to define social capital, it can be assumed that it will be even harder to measure it. The difficulty of studying social capital and its effects lies with the complexity of finding a definite system to assess levels of it. There are no standard measures for elements of social

capital like social trust and networks of association. So far the most comprehensive study is the Social Capital Community Benchmark Survey. This survey was administered in the year 2000. Data collected included not only a national representative sample but also 49 communities in 29 states (Brooks 2005: 4). The survey was designed by Robert Putnam, a Harvard sociologist who studies social capital. The survey asks questions from three areas: individual attitudes about the community, demographics, and community behaviors. Communities ranged from urban to rural (Brown and Ferris 2007: 87). The survey uses ten indicators that represent social capital: social trust, interracial trust, electoral politics, protest politics, civic leadership, associational involvement, informal socializing, diversity of friendships, faith-based engagement, and charitable behaviors (Brown and Ferris 2007:87). Because most of the researchers use the same data, there are themes in their analysis and results. Questions about behaviors and activities as well as attitudes were used to measure social capital in each community. By looking at all of these different elements, a picture of social capital comes into view, hazy at first, but reinforced by each additional indicator. Brooks, using the SCCBS finds that less time consuming social capital has a higher effect, for example trust, which is not time consuming, has a stronger effect on donations than political engagement, which is time consuming but only has a weak effect on donation amounts (9). Wang and Graddy (2008), also using the SCCBS, find that organized group activism and bridging social networks have highest effect on probability of donation, though they find all elements of social capital have a positive effect overall on donation (17). Criticisms of the SCCBS stem from its overuse; because it is the best way of studying social capital so far, much of the research on social capital and donation uses data from this survey. Future research needs to find new methods to study social capital, in order to confirm or negate the validity of the research coming from the SCCBS.

## **ii. Perceptions about Donation Behavior**

Important to the system of philanthropy is the concept of perceived descriptive social norms. Perceived descriptive social norms, as they apply to donating money, are individual ideas about other's donation behaviors (Croson, Handy, and Shang 2009: 468). Croson et al. sent surveys to active and recently lapsed donors of a public radio station. They sent out 7,123 surveys and received 975 responses, and used respondents who identified themselves to link to data of how much they had actually donated (473). By using both self-reported and past data, they strengthened the probability that their responses were accurate, though the study needs to be repeated on a large scale to increase dependability of the study. They found that if an individual receives information that the members of their community are all donating a specific amount of money, they would be more inclined to donate. This is because of a change in the individual's perception of what is normal (469). It is most influential when there isn't an obvious correct course of action, like in the case of donations, where there isn't a specific amount that everyone always donates (Croson et al. 2009: 470).

### **B. Capacity to give**

Capacity to give is an important part of the process of charitable giving. Even with a desire to give, if someone has no means by which they can give, a donation will not occur. Capacity to give is closely dependent on human capital and financial capital. These two variables are closely associated with each other.

#### **i. Human Capital**

Human capital refers to training and skills that a person develops (Wang and Graddy 2008: 30). It is closely associated with financial capital in that with more human capital a person has the opportunity to increase their financial capital. Education moves people up in social status, and is



a form of training. It increases knowledge, awareness, and social networks. Brown and Ferris (2007) assert that someone with some college or a college degree would donate more than those with only high school or less (91). However, it is interesting to note that education could be a false variable obscuring the real variable of ability, because Brown and Smart (2008) observe that different races have different access to education (259). African Americans have more barriers to education access than Whites, and so while it might seem that whites have more education than African Americans and therefore donate more, this might be covering up the real variables of access to services like education as well as disposable income (270).

### **ii. Financial Capital**

Financial capital is simply described as financial resources. This can be measured by income and possibly home ownership, among other ways (Wang and Grady 2008: 31). Brooks (2005) also suggests that a cost-benefit analysis is applied to financial donations, and depends on financial capital (3). When the price of giving is low, people will donate more. When income grows by 1 percent, financial donations increase by .6 to 1.2 percent (3). Taxes have the opposite effect: “a 1 percent increase in a tax decreases giving by 1.2 percent” (3). According to Andreoni et al. (2003), the average household gives 1-2 percent of income to charity annually (112). This will have implications in the future if tax reforms are made, affecting how much people donate.

## **C. Demographics as predictors of charitable giving**

Several demographic characteristics are closely associated with probability of donation. These include gender, marital status, race, education, as well as other variables. Though these variables carry strong associations, further research should look at the underlying causes of donation as they connect to and are influenced by these variables.

### **i. Gender and Marital Status**

Andreoni et al. (2003), using Gallup polls from 1992 and 1994 used to measure giving and volunteering behaviors, show that men and women differ significantly in their giving styles. They differ most notably by decision to give, amount of donation, and distribution of donation (Andreoni et al. 2003: 112). Typically single men donate more money to fewer causes, and are more likely to donate when the cost of giving is low due to external forces like taxes (p. 120). Alternately, single women are more likely to give than single men when the cost of giving is high, and donate smaller amounts spread out over more causes (120). Donation styles change after marriage, however. In a marriage, donation is either controlled by the male, the female or shared between the two (127). More than half of couples jointly decide where and how much to give. If a woman controls the choice of donation, it will reflect her preferences (120). The same holds true for men in control of giving selection. Interestingly, when both men and women share the decision process, giving still reflects the male's preference more strongly than the female's; 68 percent of the male's giving tendencies are represented while only 26 percent of the female's preferences show (127). Sources differ in their opinion of whether married couples are more likely to donate than singles. While Andreoni et al. (2003: 123) suggest that donation amounts are negatively associated with being married, Wang and Graddy (2008: 32) found that married couples are more likely to donate and give more than singles. This difference may be because Andreoni et al believe that both husband and wife sacrifice some of their giving tendencies when they marry, decreasing overall giving by 6 percent or more (Andreoni et al. 2003: 111). Another difference may be due to time, as Andreoni et al. gathered data from 1992 and 1994 while Wang and Graddy used data from the year 2000.

## **ii. Race**

It is complicated to define the role of race in charitable giving. Wang and Graddy (2008) observe that being white is positively associated with probability and amounts of donation in relation to Hispanics and African Americans, who have traditionally lower rates (p. 31). Additionally, Hispanics and African Americans donate less to secular causes than Whites. Though it was previously believed that race significantly affected donation, new research by Brown and Smart (2008) using the SCCBS suggests that access to education skews these numbers. Because different races approach higher education in various ways, if we controlled for education then results of donation by race would change. After controlling for education, the effect of race is significantly diminished (Brown and Smart 2007: 259). This effect could be true for other variables, and represents the difficulty of finding the individual values of different variables associated with donation. Further research should aim at extracting each variable from the matrix of factors that contribute to financial donations.

### **iii. Volunteering**

Whether a person volunteers and how frequently they do is a logical indicator of whether or not someone will donate. This connection can be explained in many ways. If someone volunteers, they may become more socially conscious of opportunities to donate money. Wiepking (2009) found this when she used data from the *Giving in the Netherlands Panel Study 2003*, which collected data from 1,316 Dutch households (1976, 1979). Using data from this study, Wiepking found that because they had more social connections as a result of belonging to a service organization, they were more likely to be asked to donate by people in their networks (1976). This connects social capital back to the concept of financial donations. Further research should acknowledge the importance social capital plays on different demographics.

### **iv. Religion**

Religiosity: obviously increased religious tendencies will increase religious gifting. Using the SCCBS, Brooks (2005), found that there was a significant coefficient increase of 1.539 for religious giving by those with high religiosity (10). Religion increases social networks, and those actively engaged in religion are more likely to be exposed to charitable projects (Brown and Ferris 2007: 90). There is no apparent positive effect of religiosity on secular giving, and Brooks (2005) found a negative coefficient of .272 of religiosity on secular gifts (10). The determinants of secular giving versus religious giving needs to be explored more in depth, because contributions given to secular causes can serve different purposes than funds given to religious causes.

#### **v. Additional Demographics**

There are many additional demographic factors that have not been explored in depth, yet limited research suggests they do have an effect on donations. Wang and Graddy (2008) show that those who have lived in the United States under 10 years, many of whom are not citizens are less likely to donate than people who are citizens and have lived here over 30 years (p 32). Number of children is believed to have a negative impact on donation (Wang and Graddy 2008: 32), or a positive impact (Lee and Chang 2007: 1177). A difference in findings may be due to different data samples; Lee and Chang used a telephone survey of 730 people in Taiwan while Wang and Graddy used the SCCBS (Lee and Chang 2007: 1175; Wang and Graddy 2008: 32). How long a person has lived in a community is associated with giving; a higher probability of donation is associated with longer residency (Wang and Graddy 2008:32). This shows the importance of sustained social ties. Interestingly however, this only has an effect on religious giving and not secular giving (Wang and Graddy 2008: 32).

### **III. CONCLUSION**

Philanthropy represents a unique phenomenon that intersects self-interest with the action of helping others. Though the good feeling and tax incentives afforded by donation are a positive personal gain, these benefits alone do not explain why it is we give. People donate as a result of both individual and community factors. A person must have both inclination and capacity to give in order to donate, both of which are affected by internal and external factors. Social capital is essential in the equation of charitable giving, and has a strong positive effect. Demographics from race to religion are important in determining who will engage in charitable giving. Perceptions of how others donate influence the individual in deciding how much to donate. Further research needs to concentrate more in depth on demographics as well as more objective methods of measuring social capital.

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