

Feeling poor, acting stingy: the effect of money perceptions on charitable giving

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- In research on philanthropy, much attention has been given to the impact of the actual economic costs of giving. This paper argues that the perceived psychological costs of giving should also be taken into consideration when seeking to understand donations to charitable organizations. It is already known that people differ in their attitudes towards money, and that money attitudes are mostly independent from income, but these findings have been largely overlooked in the study of philanthropy and altruism. This paper seeks to rectify that omission by investigating the relationship between charitable giving and money perceptions. The analyses show that, regardless of the actual financial resources held by a donor, the size of their donations is negatively affected by feelings of retention (a careful approach to money) and inadequacy (people who worry about their financial situation). We conclude that an understanding of money perceptions is an additional important factor in the understanding of charitable behaviour. Fundraising professionals should not only select potential donors based on their absolute financial capacities but also take the potential donor's own financial perceptions into account when asking for donations.*

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Introduction

At a meeting of the philanthropic community in London, England, a billionaire philanthropist, Sir Tom

Hunter, sought to enthuse his fellow super-rich to follow his philanthropic lead by saying, “*I’m having the time of my life and I want to tell others on the Rich List to do this, once they’ve met all their material goals*”.¹ To appear on the UK Rich List in 2008, an individual had to be worth a minimum of £80m.² Whereas it seems curious to suggest that anyone worth £80m or more can still have material goals to meet *before* they can turn their attention to philanthropic

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¹Hunter was speaking at a breakfast seminar organised by the Charities Aid Foundation on 29/4/08.

²The UK Rich List is published annually by the Sunday Times newspaper.

acts, it is an appropriate starting point for this paper, which explores attitudes towards money and argues that an understanding of 'money perceptions' can help to explain philanthropic behaviour.

Money perceptions matter because even people who are objectively well off can still feel financially insecure. Research demonstrating that attitudes towards money are largely independent of an individual's income (Yamouchi and Templer, 1982) has subsequently been explored in studies of spending, saving and gambling (Furnham and Argyle, 1998) but not, so far, in a study of charitable giving and philanthropy. This study is the first to examine the relationship between money perceptions and charitable giving in greater detail, by asking how important a factor are money perceptions for charitable giving, and how are money perceptions and absolute financial resources interrelated in their effect on charitable donations?

People who interact with donors and potential donors — such as charity fundraisers and philanthropic advisers — are well aware that people holding similar amounts of financial resources have disparate views on how much they can afford to give away (Lloyd, 2004). The 'grey literature' produced within the charity sector has discussed this issue quite extensively and published non-peer-reviewed findings. For example, a study of attitudes towards giving by rich UK people found many respondents reporting feelings of financial insecurity, despite their objective wealth, typified by this quote:

'Wealthy? It's £50 million and upwards as far as I'm concerned. £50 million is the point at which you don't have to panic anymore' (Edwards, 2002: 35).³

However, not all objectively wealthy people feel insecure or retentive about money; many expressly reject such attitudes, believing it is better to spend money and enjoy the consequences. The billionaire UK-based donor, Sigrid Rausing has said,

*'It is only when you give it away, or consume, that money transforms from figures on a piece of paper to something in the world.'*⁴

³In all the studies quoted in this introductory section, 'rich' is defined as receiving an annual salary of £80 000 (c.\$138 000/€100 000) or net worth of at least £1m (c.\$1.7m/€1.3m).

Despite the existence of people like Rausing, it is clear that being objectively rich is no guarantor of feeling financially secure, as even people with abundant financial resources may feel that they have 'nothing to spare'. This paper examines how these feelings of financial security affect charitable giving.

We begin with a discussion of the literature, including an overview of the different attitudes people can have towards money. After that, we implement these different attitudes in order to formulate hypotheses on how money perceptions and attitudes affect charitable giving. We empirically test: (1) how money perceptions relate to actual financial resources; and (2) how money perceptions and actual financial resources relate to philanthropic donations. With this study, we hope to provide increased understanding of why some people behave more altruistically than others. This knowledge will help fundraising professionals to more strategically approach potential donors for gifts. Currently, donors are stratified based on their absolute financial potential to make donations (of a certain level). Our research will show that it is very important to also take a potential donor's own financial perception into account when asking for donations. We will formulate implications of these findings for fundraising professionals in the discussion.

Theory and hypotheses

In an overview study of philanthropic behaviours, Bekkers and Wiepking (in press) argue that the *actual* economic cost of donations is one of eight mechanisms that drives philanthropic donations, alongside awareness of need, solicitation, altruism, reputation, benefits, values and efficacy. It is clear that giving money costs money: the higher the actual costs of donations, the less people are able and inclined to give. Previous studies find a positive relationship between annual after-tax income, receiving income from wealth and home ownership and the level of charitable donations (Bekkers and Wiepking, 2007; James and Sharpe, 2007; Wiepking, 2007). In a 2002 overview study, Steinberg finds income elasticities ranging from 0.60 to 0.80 for

⁴Quoted in the Guardian newspaper 9/6/04.

the US. In the Netherlands, income elasticity ranges from 0.19 to 0.32 (Bekkers, 2004; Wiepking and Maas, 2009).

In many countries — including the UK, the Netherlands and the USA — giving to charitable causes is tax deductible (Dehne *et al.*, 2008), which makes the real costs of donations by taxpayers smaller than the donation itself. Most tax systems stimulate charitable behaviour in such a way that people on higher incomes (and therefore with the capacity to make larger donations) are given greater incentives than people on lower incomes, and pay a relatively lower price of giving than people in lower tax categories. Thus, the higher a household's income, the lower the actual costs for making charitable donations. Economists refer to the actual costs of donations as the 'price of giving' (Andreoni, 2004; Vesterlund, 2006). There is overwhelming evidence of an inverse correlation between the price of giving and philanthropic donations (Steinberg, 1990; Simmons and Emanuele, 2004; Pelozo and Steel, 2005).

Whereas the impact of the *actual* economic price of giving has attracted the attention of many scholars, there is minimal understanding of how *perceived* psychological costs affect charitable giving. By 'perceived costs', we mean the costs of donations as experienced by donors and potential donors, which might also be described as the psychological price of giving.

Foremost among those who have emphasised this factor is Claude Rosenberg, whose advocacy of tithing was based on a belief that most people systematically underestimate their total income and, subsequently, their capacity to give (Rosenberg, 1994). A handful of academic studies mention the effects of perceived costs of donations either in passing or very briefly. Wright's discussion of the different giving ethos and behaviours found in the USA and the UK suggests that one explanation among many could involve different attitudes towards wealth, including self-perceptions of wealth; however, this perception effect is not quantified (Wright, 2002). A short paper based on findings from the Wealth and Responsibility Study 2000 concludes that,

'it's not just the objective size of people's pocket-books that matters but also their subjective sense of financial security' (Schervisch *et al.*, 2005: 8)

A study focussed on creating 'portraits of donors' generated interesting insights into money perceptions and financial insecurity in rich US households, finding that only 21 per cent of households with a net worth of \$50m or more reported feeling 'extremely financially secure' and 11 per cent of these same households felt 'somewhat insecure' (Rooney and Frederick, 2007:11). This attitude to money is also described by Brooks who finds Americans in the upper income class who describe themselves as '*not being able to afford to give*' because they have mortgages, car loans and kids in college (Brooks, 2006: 8). A disparity between apparent wealth and subjective assessments of wealth have also been noted in the UK; in a study of 76 people holding a net worth of at least £1m, 75 per cent said they would increase their giving if they had more money, and 25 per cent described themselves as having 'low' financial security (Lloyd, 2004: 104–5, 176–7).

Four further studies that touch on money perceptions include a bivariate analysis, which found that people who perceive their financial situation as more positive are more generous donors (Havens *et al.*, 2007); a study, which found that those who consider themselves 'financially better off than most other people' report higher donations to relief appeals (Bennett and Kottasz, 2000); a study of graduate school alumni donations, which found that alumni giving was higher among those who had more confidence in the economy (Okunade, 1996); and a study that found an association between the individual's perception of a better financial position and the greater likelihood of sponsorship, attending charitable events and donation in shops (Schlegelmilch *et al.*, 1997). Finally, a recent study exploring the influence of social class on prosocial behaviour concludes that upper class people — who presumably have greater wealth — give less because they are less engaged with social problems and therefore less empathetic than lower class people (Piff *et al.*, 2010).

The neglect of money perceptions in philanthropic studies

Aside from these 11 studies that touch upon the issue of money perceptions in relation to charitable giving, and in comparison to the endless stream of papers that discuss and quantify explanations for

philanthropic behaviour, such as economic costs, warm glow, fringe benefits and effects of social norms and personal norms, the potential explanatory power of money perceptions has been unwisely overlooked (De Ruyter and Wetzels, 2000; Khalil, 2004; Briers *et al.*, 2007; Bekkers and Wiepking, in press). Yet, psychologists and sociologists have long established that people can have very distinct perceptions regarding money and diverse attitudes towards the distribution of personal wealth (monetary or otherwise). For example, Wilson (1999) notes that the way people talk about money is revealing of how they think about it; Lunt and Livingstone (1991) emphasise the psychological determinants that underlie attitudes towards saving money; prior experiences of hardship are identified as predictors of financial anxiety and generosity (Lim and Teo, 1997); feelings about the money attitudes of potential recipients has been found to affect inclinations to donate to them (Mayo and Tinsley, 2009) and Pahl's (1995) study of gender differences regarding money management is grounded in an understanding of, '*the messy reality of money as we experience it in everyday life*'. (Pahl, 1995: 363)

Other notable studies on the psychological and social meaning of money include Furnham and Argyle's (1998) conclusion that, '*attitudes clearly play a role in how people use money*' (Furnham and Argyle, 1998: 60) and Zelizer's studies (1989, 1994), which challenge the assumption that money is an abstract, impersonal and fungible construct, by demonstrating,

'the remarkably various ways in which people identify, classify, organize, use, segregate, manufacture, design, store and even decorate monies as they cope with their multiple social relations [...] not all dollars are equal or interchangeable. We routinely assign different meanings and separate uses to particular monies' (Zelizer, 1994:1, 5).

If we accept that different money perceptions exist, that 'not all dollars are equal', then it seems likely that people will also have different perceptions and attitudes regarding the dollars they have available (or not) for spending on charitable donations.

In order to examine the effect of the perceived costs of giving, it is important to also pay attention to the relationship between attitudes and factors that affect the *actual* costs of giving, because money perceptions are likely to have a relation to actual financial resources, as measured by income, financial stability and wealth. Our study is the first that will empirically examine the relationship between people's money attitudes and their charitable giving, while taking their absolute financial resources into account. Before examining how the attitudes that people hold towards money relate to the actual financial resources they possess, and how a combination of these money attitudes and actual financial resources affect charitable giving, we describe two key measurable attitudes towards money: feelings of retention and feelings of inadequacy when it comes to handling money. We generate hypotheses about the effect of these money perceptions on philanthropy and altruism.

Money perceptions: definitions, illustrations and hypotheses

The two measurable 'money attitudes' that we examine in this paper were first identified by Furnham in his money beliefs and behaviour scale (MBBS), which measures six factors in people's attitudes towards money: obsession, power, retention, conservative/security, inadequacy and effort/ability (Furnham, 1984; Wilhelm *et al.*, 1993). The MBBS is widely used in research on money perceptions, which is reflected by the 180 scholarly papers citing the original publication of the scale by Furnham in 1984.

Whereas we would have liked to investigate the relationship between charitable giving and all six 'money attitudes' included in the MMBS, this paper is only concerned with those factors for which we have adequate measurements; therefore, we focus on the relationship between feelings around retention and inadequacy and charitable giving.

Money perception 1: retention

'Retention' refers to the degree to which people have a careful approach to wealth and a preference not to spend money on anything (Furnham and Argyle, 1998). People with strong feelings of retention prefer to save money, are fearful of lacking money

in the future, often feel guilty about spending money (even on necessities) and have difficulties in making decisions about spending money, regardless of the amount involved and their actual ability to afford it. We, therefore, formulate the following hypothesis:

H1: People with stronger feelings of retention have a lower level of giving.

One might argue that rich people are likely to experience stronger feelings of retention than people with lower or average incomes, because their wealth may be a result of them having retentive characteristics, such as preferring to save rather than spend. However, once people acquire higher levels of financial resources, we argue that they should experience less strong feelings of retention because they have more financial resources at their disposal, and need to worry less about spending a dollar more or less. We formulate hypothesis 2:

H2: People with higher levels of financial resources experience less strong feelings of retention.

Money perception 2: inadequacy

People who feel financially inadequate are those who worry about their financial situation most of the time, those who state that most of their friends have more money than they do and those who believe that other people overestimate their actual financial resources. We argue that stronger feelings of inadequacy when it comes to handling money lead to lower levels of giving. The third hypothesis offered is therefore:

H3: People who have stronger feelings of inadequacy when it comes to handling money have a lower level of giving.

Although the quotes in the introductory section demonstrated that people with plentiful financial resources can also feel inadequate when it comes to handling money, we predict feelings of inadequacy when it comes to handling money to be stronger among people at the lower end of the income scale. We formulate hypothesis 4:

H4: People with higher levels of financial resources experience less strong feelings of inadequacy.

Data and measurements

We test the two hypotheses using quantitative data from the Giving in the Netherlands Panel Study 2008 (GINPS08, 2008, $N=1866$). GINPS is a biannual longitudinal study on charitable giving and volunteering in the Netherlands, which started in 2002. In May 2008, 1866 respondents were questioned about their household's donating behaviour during 2007, using Computer Assisted Self-Administered Interview procedures. The median annual after-tax income of the respondents is €24 600, and the highest income in the 9th decile is €42 000. In comparison, in 2006, the median annual after-tax household income of the Dutch population was €27 500, and the highest income in the 9th decile was €55 500 (Statistics Netherlands, 2009). This indicates that respondents in GINPS08 are representative for Dutch lower to middle-high income households.

The dependent variable in our research is the natural log of the total amount of money that a household donated to charitable organizations in 2007. GINPS08 measures donations made to 11 charitable subsectors: religion, health, international aid, environment protection, nature protection, animal protection, education/research, culture, sports/recreation, public/social benefits and other causes. The questions on donations are asked using an adaptation of the 'IU-Method-Area'-module (Rooney *et al.*, 2001). Firstly, respondents were questioned regarding which method they used to make a donation, for example, a collection tin or via a direct debit. Secondly, respondents were asked whether or not their household made a donation to each of the subsectors. Thirdly, the respondent was asked to state the exact amount of money given to each subsector in 2007. Respondents failing to state the exact size of donation were offered indicative categories (recoded to class means) as follows: (1) less than €5; (2) €5 to €10; (3) €11 to €15; (4) €16 to €25; (5) €26 to €50; (6) €51 to €100; (7) €101 to €200; (8) more than €200; (9) no idea how much I donated; and (10) I do not want to say how much

I donated. Of all respondents, 4.2 per cent had no idea how much they donated to in case of at least one charitable subsector; 1.9 per cent of the respondents did not want to say how much their household donated, again for at least one charitable subsector. We replaced this small proportion of missing donations with a conservative estimate of €2 per subsector, in line with Wiepking (2008). Of the 1866 respondents that completed the questionnaire, only 192 households (10.3 per cent) indicated that they did not make any donation in 2007. The average total donations made by respondents in 2007 were €260, whereas the median total amount donated to charitable organizations was €65.

Money perceptions

In GINPS08, respondents' attitudes towards money are measured with 7 five-point Likert scale items, chosen from a larger set of items that showed validity in measuring the two MBBS factors of inadequacy and retention as discussed in Furnham (1984) and in Wilhelm *et al.* (1993). Table 1 displays the exact items as well as the results from a principal component analysis. The results show that the items measure perceptions relating to inadequacy and retention as intended, all with an Eigenvalue over 1. Together these factors explain 56.0 per cent of total variance. However, the reliability analysis showed that the first item measuring the retention factor ('I prefer to save money, because I am never sure when things will collapse and I need the cash') decreases the strength of the retention factor. This is a conceptual problem with the MBBS, as the first item on the retention factor is actually measuring, 'feelings of anxiety when it comes to handling money', a concept intended to be measured by the inadequacy factor. Because of this conceptual problem, we excluded the first item on the retention factor from further analyses.

The reliability is highest for the inadequacy measure, Cronbach's alpha is 0.73. For the retention factor, Cronbach's alpha is 0.64. The MBBS retention and inadequacy variables used in the further analyses, measure the mean scores on respectively the three retention and the three inadequacy items, as listed in Table 1. Pearson's correlation between the MBBS retention and inadequacy variables is $r = 0.39$ ($p \leq 0.01$).

Actual financial resources

We use three different indicators to measure actual financial resources: annual after-tax household income, receiving income from wealth and home ownership. Annual after-tax household income was measured by asking respondents about their own and (if applicable) their partner's monthly after-tax income from eight different sources. Respondents who chose not to state their exact income were offered indicative categories, which were recoded to the mean value, resulting in no missing values on the income variables. Total monthly after-tax income was calculated by adding all sources of income, multiplying by 12 to create an annual estimate, then combining respondent and partner income (where applicable) to create a total for each household. We use the natural log of annual after-tax household income in the analyses.

For the second measure of actual financial resources, respondents were asked, as a dichotomous variable, whether they and/or their partner receive income from wealth; we found that 8 per cent of the households in our dataset did receive income from wealth.

The third measure of actual financial wealth relates to home ownership, which is a common indicator of actual financial security (Banks and Tanner, 1999; Todd and Lawson, 1999). It is especially appropriate when studying groups of people in which actual financial resources mean that home ownership is not ubiquitous, as is the case in this dataset, in which respondents are of low to middle-high household income (up to €120 000 annual after tax household income). Of the respondents, 56 per cent indicated that they are home owners.

Finally, in the analyses, we hold constant for age, gender, marital status and number of children as this might affect both actual and perceptual financial resources. Table 2 displays the descriptive statistics for the variables used in this study.

Results

Relationships between money perceptions and actual financial resources

Table 3 shows the correlations between the two money perception measurements and the three indicators of actual financial resources.

Table 1. Money perceptions structure from principal component analysis^a

Items	Mean	Standard deviation	Factors	
			1	2
<i>Inadequacy</i>				
1: I worry about my finances most of the time	2.88	1.02	0.67	
2: Most of my friends have more money than I do	3.05	0.87	0.72	
3: I am worse off than my friends think	2.57	1.00	0.82	
<i>Retention</i>				
1: I prefer to save money, because I am never sure when things will collapse and I need the cash	3.85	0.84	-0.52	0.44
2: Even when I have sufficient money, I often feel guilty about spending money on necessities like clothes etc.	2.44	0.95		0.76
3: I often have difficulty in making decisions about spending money regardless of the amount	2.70	0.98		0.75
4: I often say 'I can't afford it', regardless whether I can or not	2.53	0.96		0.61
Eigenvalue factor			2.57	1.35
% of variance factor			36.76	19.25
Reliability (Alpha) ^a			0.73	0.64 ^b

Notes:

^aVarimax rotation; cut-off point of 0.40

^bCronbach's alpha increases from 0.53 to 0.64 when retention item 1 is excluded.

Source: GINPS08 (2008)

In line with our expectations, we found a negative relationship between feelings of retention and all three measures of actual financial resources (household income, income from wealth and home ownership). When people with lower to middle-high incomes have greater actual financial resources at their command, they are less likely to have a careful approach to wealth and to express a preference not to spend money (and *vice versa*). We also found significant negative relationships between inadequacy and all three measures of actual financial resources. People who worry about their financial

situation and fear their wealth is overestimated by others, do indeed, have lower actual financial resources, and *vice versa*.

These two findings indicate that the perceived and actual costs of donations are intertwined. However, these correlations do not indicate any causality: negative financial perceptions can lead to more negative actual financial resources and, hence, to lower levels of giving, but the causality could also be reversed, such that lower actual financial resources lead to negative financial perceptions, which in turn affect the amount given.

Table 2. Descriptive statistics of the variables used in this study

	N	Min.	Max.	Mean	Standard deviation
<i>Dependent variable</i>					
Total amount donated (ln)	1866	0	10.52	3.89	2.01
<i>Money perceptions</i>					
MBBS retention	1866	1	5	2.56	0.73
MBBS inadequacy	1866	1	5	2.84	0.78
<i>Actual financial resources</i>					
Home ownership	1866	0	1	0.56	-
Annual after-tax household income (ln)	1866	0	11.70	9.94	1.16
Income from wealth	1866	0	1	0.08	-

Table 3. Correlations between money perceptions and actual financial resources

	MBBS retention	MBBS inadequacy
Home ownership	-0.106**	-0.157**
Annual after-tax household income (ln)	-0.119**	-0.148**
Income from wealth	-0.058*	-0.189**

Notes:

* $p \leq 0.05$;

** $p \leq 0.01$

Source: GINPS08 (2008)

The effects of money perceptions on the level of charitable giving

We analysed the effects of money perceptions and actual financial resources on the level of charitable giving in three multivariate models. Table 4 shows the results of ordinary least squares regression analyses of the natural log of total amount donated to charitable organizations. As 89.7 per cent of the respondents did make a donation in 2007, problems with sample selection and truncation are negligible (Bradley *et al.*, 2005; Wiepking, 2008). Within Table 4, Model 1 explores only the direct relationship between money perceptions and charitable giving, Model 2 explores only the direct relationship between actual financial resources and charitable giving, and Model 3 explores the relationship between money perceptions, financial resources and giving simultaneously. In all models, we control for age, gender, marital status and number of children in the household.

In Model 1, which shows the relationship between money perceptions and the amount people donate, we find significant negative relationships between both indicators of money perceptions and giving. The strongest relationship derives from feelings of inadequacy: people who worry more about their financial situation are found to donate lower amounts to charitable organizations. People who score one point higher than the average score (2.6) on the inadequacy scale, donate 40 per cent less to charitable organizations. We also find a negative relationship between retention and amount donated: having a stronger preference not to spend money relates to donating lower amounts. People scoring one point higher than the average score

(2.8) on the retention scale donate 35 per cent less to charitable organizations.

Model 2 shows the results of the relationships between actual financial resources and level of charitable giving. These results are very much in line with previous studies (Bekkers and Wiepking, 2007; James and Sharpe, 2007; Wiepking, 2007) as we find a positive relationship between home ownership, annual after-tax income and receiving income from wealth and the level of charitable donations. We find an income elasticity of 0.19 in Model 2 in Table 4. A 10 per cent increase in annual after-tax household income relates to a 1.9 per cent increase in amounts donated to charitable organizations. Home owners donate on average 51 per cent more money to charitable organizations than people who pay rent, and people who receive income from wealth donate 67 per cent more money than people who do not have this private source of income.

It is interesting to note that the percentage of variance explained as measured with the adjusted R-square is 8.8 per cent in the analyses of actual financial resources (Model 2). In the model estimating the effect of money perceptions, the percentage of variance explained in the level of giving is slightly higher, 10.2 per cent. In accounting for variation in the level of charitable giving, money perceptions appear slightly more important than actual financial resources.

In Model 3, which shows the relationships between money perceptions, actual financial resources and level of charitable giving, we find that the relationships of both retention and inadequacy with level of giving are smaller, but still significant negative, once actual financial resources are taken into account. In Model 3, people who score one point higher on the retention scale, donate 31 per cent less to charitable organizations, a 4 per cent difference with Model 1. People who score one point higher on the inadequacy scale donate 32 per cent less, an 8 per cent difference with Model 1. Thus, part of the direct effect of retention and inadequacy on level of giving are mediated and can be accounted for by actual financial resources. When we consider the relationships between actual financial resources and level of charitable giving in Model 3, we see that the direct relationship between home ownership, after-tax household income and income from wealth with giving decrease (respectively, 12 per

Table 4. OLS regression of the natural log of the total amount donated to charitable organizations in the Netherlands, 2007 (GINPS08, 2008; $N = 1866$)

	Model 1				Model 2				Model 3			
	B	S.E.	Beta	p	B	S.E.	Beta	p	B	S.E.	Beta	p
<i>Money perceptions</i>												
MBBS retention	-0.347	0.066	-0.126	**					-0.308	0.067	-0.094	**
MBBS inadequacy	-0.404	0.062	-0.155	**					-0.316	0.064	-0.106	**
<i>Actual financial resources</i>												
Home ownership					0.508	0.098	0.125	**	0.385	0.097	0.095	**
Annual after-tax household income (ln)					0.193	0.040	0.111	**	0.146	0.040	0.084	**
Income from wealth					0.670	0.167	0.090	**	0.481	0.166	0.065	**
Constant	4.158	0.240		**	0.271	.420			2.281	0.474		**
Adjusted R-square	0.102				0.088				0.122			

Notes:

** $p \leq 0.01$; analyses control for age, gender, marital status and number of children in the household.

cent, 5 per cent and 19 per cent) between Model 2 and Model 3, indicating that these effects are, to some extent, mediated by money perceptions.

Conclusion and discussion

In this paper, we have investigated how different attitudes towards money can explain differences in philanthropic behaviour. We formulated hypotheses regarding the relationship between money perceptions and charitable giving, and our results showed that, regardless of actual financial resources, the amount that people donate is negatively affected by feelings of retention and inadequacy related to handling money. Our findings imply that money perceptions should be considered as important dispositional characteristics for predicting donations. Just as altruistic values and empathic concern are widely understood to increase charitable giving, so do feelings of retention and inadequacy in handling money decrease charitable giving, regardless of people's actual financial resources.

Fundraising professionals should use this information when selecting and approaching potential donors with requests for donations to their charitable organization. When selecting potential prospects, it is not only relevant to acquire information about the level of absolute financial resources someone has available for making charitable donations, it is also important

to discern whether the potential donor feels financially secure enough to make the requested donation. The quotes in our introduction illustrated that feelings of financial security are important factors for charitable spending decisions of high-net-worth individuals. And the results of this paper show that feeling secure about money also matter for those with lower to middle-high levels of financial resources. When approaching potential donors, fundraisers should adjust the amount requested to fit both people's absolute level of financial resources (the amount people can spend) and the perceived level of financial resources (the amount people are comfortable with spending).

It is, of course, difficult to ascertain the precise money perceptions held by an individual, but it is not impossible to gain some insight into the potential donor's attitudes to how much money he or she has to spare. For example, in larger and better resourced charities, it is common practice for fundraisers to research recent major spending decisions made by prospects, such as the purchase of a new home, a private jet or outlay on a large party. Whereas significant spending clearly reduces an individual's absolute wealth, those who have recently spent large sums might be more likely to make a large gift, because their consumption activity demonstrates that they feel financially secure. Fundraisers could also identify the size of previous donations made to other organizations in order to discern how much that individual feels it is

appropriate to allocate to charitable causes. Fundraisers might offer a range of options, including lower, middle and higher-value donations, to enable the donor to select the level they are most comfortable with. And when a strong relationship has developed between the potential donor and those seeking funds, it should be possible to have an open and honest conversation about the size of gift that can best meet the needs of both the cause and the donor. In discussions with retention-oriented people, fundraisers may find it helpful to frame the donation as an investment rather than an expense, in order to make the act of giving less off-putting to people who have an especially careful approach to money. Finally, when a fundraiser is aware that a donor is offering a smaller gift than might be expected, given their actual financial resources, it may be helpful to raise the possibility of making a legacy, as giving beyond their lifetime may better suit that donor's money attitudes. The key message for fundraisers is to take account of a potential donor's attitudes towards money, and to avoid making assumptions about the size of gift that an individual can make, based solely on their actual financial resources.

However interesting the findings of the present study, there are some methodological shortcomings that deserve attention. A recent study by Baker and Hagedorn (2008) shows, for example, that Yamauchi and Templer's 'money attitude scale' (MAS) (Yamouchi and Templer, 1982) is less invariant and more reliable than Furnham's MBBS scale (Furnham, 1984). In retrospect, it would have been better to measure money perceptions in GINPS08 with items from the MAS scale rather than using the items from the MBBS scale. However, in our case, the items included in GINPS08 to measure the MBBS factors did succeed in measuring the two factors of inadequacy and retention as intended. These factors can also be considered reliable enough to investigate their relation with actual financial resources and giving (we measured the lowest Cronbach's alpha for the retention factor, 0.64 for three items). It would be interesting to measure both the MAS scale and the MBBS scale in future research to study how measurements of money perceptions obtained using both scales relate to actual financial resources and to charitable giving.

Another potential methodological shortcoming is that we studied the relationship between individual

level psychological measures for feelings of retention and inadequacy and household level measures of donating behaviour (as reported by one household member). To control for this potential bias, we repeated the analyses from this paper selecting only the single-person households in GINPS08. In these households, individual level and household level measures relate to the same individual. The results of the analyses of single households do not significantly differ from the results reported in this paper (results available from the authors), suggesting that there is no serious bias because of the different levels at which the variables have been measured. Another methodological issue relates to the measurement of wealth. Unfortunately, GINPS does not include a comprehensive measure of total wealth. It is possible that a more complete measurement of total wealth would have accounted for a larger part of the relationship between financial perceptions and charitable giving.

A further issue pertains to the external validity of the results obtained in this study. We have used Dutch data to test our hypotheses. The Netherlands represents a Western country with a strong welfare state system, where people pay high levels of income tax. It is unclear to what extent our results can be translated to different countries, where people make decisions on donations in —among others— a different cultural and fiscal setting. Further research is needed to understand the relationship between money perceptions, absolute financial resources and charitable giving in different countries.

This research opens up many other new and interesting questions about the effect of money perceptions on charitable giving. For example, we would like to have explored the relationship between charitable giving and feelings of financial security (as a distinct factor), but lacked adequate data to draw conclusions on this factor. People who feel financially secure are a particularly interesting type of potential donor during the recent period of economic crisis, as they are defined as those having confidence in the ability to maintain their standard of living indefinitely, regardless of the impact of external factors, such as a recession. As Schervish *et al.* note, '*For people who feel such security, philanthropic decisions really are different*' (Schervish *et al.*, 2005: 8). It would be useful to gain some

insight into people's perception of, and confidence in, the economy in general (especially in these turbulent times of global economic crisis) in order to investigate how this relates to measures of money perceptions, actual financial resources and charitable giving. It would also be interesting to explore how money perceptions affect different methods of giving, for example, people with strong feelings of retention may prefer making donations through charitable bequests rather than during their lifetime. Finally, it could be useful to explore the perceived costs of *not* giving, which might include social costs such as damaged social reputation, cognitive dissonance arising from contradicting a perception of oneself as generous and psychological costs caused by loss of self-esteem. Future research could take these suggestions into account.

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