

# Giving in South Africa: Determining the influence of altruism, inequality aversion and social capital

Citation for published version (APA):

Tirivayi, J. N. (2014). *Giving in South Africa: Determining the influence of altruism, inequality aversion and social capital*. UNU-MERIT. UNU-MERIT Working Papers No. 064

## Document status and date:

Published: 01/01/2014

## Document Version:

Publisher's PDF, also known as Version of record

## Please check the document version of this publication:

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**#2014-064**

**Giving in South Africa: Determining the influence of  
altruism, inequality aversion and social capital**

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**UNU-MERIT Working Papers**

**ISSN 1871-9872**

**Maastricht Economic and social Research Institute on Innovation and Technology,  
UNU-MERIT**

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MGSoG**

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# **Giving in South Africa: Determining the influence of altruism, inequality aversion and social capital**

**Nyasha Tirivayi\***

**May 2014**

## **Abstract**

I use data from the South African Social Giving Survey to investigate the role of social capital and motivations for giving to formal charities and beggars. Results suggest that both impure altruism and inequality aversion positively influence giving to formal charities but they have no influence on giving to beggars. The role of social capital is varied. Members of informal insurance groups are more likely to give to both charities and beggars, while members of formal community groups are more likely to give to charities only. Members of interest groups are actually less likely to donate to charities and prefer giving to beggars.

## **JEL classification**

H41; C31; C35; D64

## **Keywords**

Charitable giving; impure altruism, inequality aversion, social capital, South Africa

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## 1. Introduction

The literature on the economics of charitable giving is dominated by studies from the developed world. Moreover, household surveys containing comprehensive data on charitable giving are rare in developing regions like sub-Saharan Africa. This study addresses this knowledge gap in economic literature by utilizing data from the only survey on giving in South Africa.

I determine “*why*” people give by investigating whether impure altruism (warm glow) and inequality aversion are motives of charitable giving in a diverse country like South Africa. Individuals driven by impure altruism receive utility or experience a “warm glow” from the act of giving (Andreoni, 1990), unlike pure altruism where the main interest is in the welfare of recipients (Roberts, 1984). Studies by Derin-Güre and Uler (2010) and Yamamura (2012) have demonstrated that inequality aversion motivates charitable giving in US and Japan. I also focus on social capital which is also another key determinant of giving (Brooks, 2005). It is especially relevant to poor South African communities where giving has a collective character (Habib et al., 2008). Social capital is measured by associational membership (Putnam, 2000), classified into three categories; formal community groups, formal interest/political groups and informal insurance groups (prevalent in African settings and intended for risk-pooling rather than civic engagement).

To help understand “*why*” people give, I compare giving to formal charities and beggars. Beggars are a recognized recipient of charitable giving in South Africa (Everatt et al., 2005). This comparison is one way of looking at “to whom and when” people are altruistic. Formal charities, unlike beggars, are intermediaries and formal structures. Furthermore, beggars may be

viewed as deviants, lazy or undeserving recipients such that giving is construed as a perverse incentive that encourages dependency on charity (Lee and Farrell, 2003). Formal charities and beggars could also present different contexts for altruism. Unlike formal charities, beggars mostly receive small donations and mostly use face to face verbal solicitation; hence it is plausible that negative audience effects and avoidance (driven by social pressure) could dominate and thus suppress giving (Andreoni et al., 2011; Andreoni and Bernheim, 2009; DellaVigna et al., 2012). This study assumes that given the likely differences in context and public attitudes, giving to beggars might not be as utility enhancing or preferable as giving to formal charities.

Giving denotes both cash and in kind donations and is evaluated at the extensive margin. The results suggest that both impure altruism and inequality aversion are significantly and positively associated with giving to formal charities but not to beggars. Social capital has varied influence. Members of informal insurance groups give to both charities and beggars at similar probabilities, unlike members of formal community groups who only give to formal charities. Interestingly, members of interest/political groups are less likely to give to charities, but are more likely to give to beggars.

## **2. Data and estimation strategy**

Data from the South Africa Social Giving Survey (December 2003) are used. The survey is a nationally representative cross-sectional sample of 2996 respondents. All respondents are aged 18 years old and above and average age is about 39 years.

The following model is estimated:

$$\text{Giving}_i = \beta_0 + \beta_1 \lambda_i + \beta_2 \delta_i + \beta_3 X_i + \varepsilon_i$$

where  $\text{Giving}_i$  is a binary variable indicating the charitable giving by individual  $i$ . This is obtained from yes or no answers to questions asked separately about cash and in kind donations (food/clothes/goods) to charities and beggars (beggar/street child/someone asking for help).  $\lambda_i$  denotes impure altruism (WARMGLOW) and inequality aversion of individual (INEQUAL)  $i$ . The proxy for impure altruism is generated from responses to the statement “I give because it makes me feel better”. This statement reveals possible utility generated from giving. The proxy for inequality aversion is generated from responses to the statement “I give because I have more than I need”. This may indicate intent for redistribution and thus concerns about inequality. Each proxy has three response options; “1 (agree)”, “2 (neutral)” and “3 (disagree)”.

$\delta_i$  is a set of variables that are proxies for social capital, denoted as a count of membership in formal interest groups (political, student and environmental organizations), informal insurance groups (savings groups/stokvels and burial societies) and formal community groups (civic/social movement, book club, cultural organization, community development committee, community policing association, residential association, rotary, women’s group and youth group).  $X_i$  is a vector of characteristics such as race, gender, education level, household assets, household size, religious affiliation, type of residence (urban or rural, formal or informal dwelling), and regional dummies. Unfortunately the survey did not have information on marital status and household income. The proxy for income is an asset wealth index created using factor analysis.

Separate probit estimations are carried out to compare giving to formal charities and to beggars.

Sample characteristics are presented in table 1.

*Table 1 Sample characteristics, 2003*

<b>Variables</b>	<b>%</b>
<i>Personal characteristics</i>	
Female	65.49
Black	77.77
Christians	84.04
<i>Motives</i>	
Give to formal charities	64.25
Give to beggars	62.75
WARMGLOW	84.71
INEQUAL	16.16
<i>Social capital (group membership)</i>	
Formal community	31.07
Informal insurance	46.83
Interest/political	21.30
<i>Observations</i>	2.996

Source: South Africa Social Giving Survey (SASGS 2003)

### **3. Empirical results**

The marginal effects (table 2) indicate that those who feel better from giving (impure altruism) the probability of giving to formal charities increases by 9 per cent compared to those who disagree. Individuals expressing inequality aversion (I have more than I need), are more likely to give to charities by 6 per cent compared to those who disagree. However, agreement with both these motives does not significantly influence giving to beggars, consistent with the assumption that giving to beggars might not be as utility enhancing or preferable as giving to charities.

Concerning the role of social capital, a one unit increase in formal community group membership increases the probability of giving to formal charities by 5 per cent but has no



significant influence on giving to beggars. In contrast, a one unit increase in the membership of informal insurance groups increases the probability of giving to both charities and beggars by 4 per cent. Interestingly, a one unit increase in the membership of interest/political groups reduces (increases) the probability of giving to charities (beggars) by 7 per cent. Conceivably, audience effects (Andreoni and Bernheim, 2009) in the beggar context (verbal ask, non-anonymous) enhance the giving behaviours of political individuals as this boosts their social image.

*Table 2 Probit estimation for charitable giving in South Africa (2003).*

Dependent variable: Cash/in-kind donations

	Formal charities		Beggars	
	ME	SE	ME	SE
<b>Personal/household characteristics</b>				
Female	-0.001	(0.020)	0.009	(0.021)
<i>Race<sup>a</sup></i>				
Black	-0.07*	(0.038)	-0.040	(0.039)
Asian	0.053	(0.066)	0.268****	(0.037)
Mixed race	-0.074	(0.049)	0.092**	(0.043)
Age	0.002***	(0.001)	-0.001**	(0.001)
<i>Education<sup>b</sup></i>				
Grade 1-7	0.064*	(0.037)	0.007	(0.037)
Grade 8-12	0.022	(0.039)	-0.002	(0.038)
Post-secondary	0.098**	(0.046)	0.034	(0.050)
College	0.212****	(0.043)	0.025	(0.065)
<i>Religion<sup>c</sup></i>				
Catholic	0.320****	(0.020)	-0.131***	(0.047)
Other Christians	0.334****	(0.034)	-0.064**	(0.032)
Other religion	0.256****	(0.028)	-0.056	(0.054)
Wealth index	0.057****	(0.015)	0.022	(0.015)
Household size	-0.009	(0.007)	0.009	(0.007)
Children < 18	0.027***	(0.010)	-0.012	(0.010)
<b>Social capital</b>				
Community group	0.052****	(0.013)	0.016	(0.013)
Interest group	-0.067****	(0.019)	0.077****	(0.020)
Informal insurance group	0.042***	(0.016)	0.039**	(0.016)
<b>Motives</b>				
WARMGLOW <sup>e</sup> : agree	0.090**	(0.036)	0.055	(0.036)
WARMGLOW: neutral	0.074*	(0.044)	0.014	(0.047)
INEQUAL <sup>f</sup> : agree	0.057**	(0.025)	-0.015	(0.027)
INEQUAL: neutral	0.060**	(0.029)	-0.082***	(0.032)
Region dummies	Yes		Yes	
<i>N</i>	2937		2937	
pseudo <i>R</i> <sup>2</sup>	0.129		0.117	
Goodness of fit	0.434		0.212	
Log likelihood	-1672.599		-1707.316	
Prob > chi2	0.000		0.000	
LR chi2(35)	493.76		452.13	
Cronbach's alpha, wealth index	0.739		0.739	

ME are marginal effects; SE is standard error, \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ , \*\*\*\*  $p < 0.001$ . Referent categories: a is white, b is no education, c is atheists, e is disagree, f is disagree. Dwelling type dummies also included, but not shown here.

Consistent with previous literature, demographics and socioeconomic variables such as age, higher education, religious affiliation, wealth, and having young children positively influence giving to formal charities (Bekker and Wiepking, 2011; Wiepking and Bekkers, 2012). However, these factors have negative or insignificant effects on giving to beggars. Christians are particularly less likely to give to beggars compared to atheists.

#### **4. Conclusion**

Giving behaviours in South Africa have implications on how domestic resources are and can be mobilized for charity and poverty alleviation (Everatt et al., 2005). This study's results broadly indicate that "who gives and why" varies by "when and to whom", consistent with the emerging assertion in literature that giving is contextual (Andreoni et al., 2011). As this study used cross sectional data, further survey and experimental research is however needed to provide deeper insights into the sources of the differences between giving to charities and beggars in South Africa.

#### **Acknowledgement**

Thanks to Patrick M. Rooney (IUPUI), Stefano DellaVigna (UCBerkeley) and Micheline Goedhuys (UNU-MERIT) for their advice.

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