

Effective Giving Behavior

Citation for published version (APA):

Kretschmer, J. (2024). *Effective Giving Behavior: How Pledges, Fairness, and Information Influence Charity Choices*. [Doctoral Thesis, Maastricht University]. Maastricht University. <https://doi.org/10.26481/dis.20241216jk>

Document status and date:

Published: 01/01/2024

DOI:

[10.26481/dis.20241216jk](https://doi.org/10.26481/dis.20241216jk)

Document Version:

Publisher's PDF, also known as Version of record

Please check the document version of this publication:

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
- The final author version and the galley proof are versions of the publication after peer review.
- The final published version features the final layout of the paper including the volume, issue and page numbers.

[Link to publication](#)

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal.

If the publication is distributed under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license above, please follow below link for the End User Agreement:

www.umlib.nl/taverne-license

Take down policy

If you believe that this document breaches copyright please contact us at:

repository@maastrichtuniversity.nl

providing details and we will investigate your claim.

Chapter 6: Impact Paragraph

In my dissertation, I explore the giving behavior of private donors in using evidence-based charitable giving to make substantial welfare improvements and to work towards fulfilling the global sustainability goals. In 2023, private households in the U.S. alone gave \$375 billion, which is almost twice the amount of the official development assistance (ODA) provided by the OECD. This highlights the immense potential this group of private donors has to be the primary funding source for improving global health, alleviating extreme poverty, and addressing other major humanitarian goals. However, currently, the majority of donations are directed towards other causes, such as religious giving, contributions to one's alma mater, or political party.

Our studies provide evidence describing the motives of donors when choosing charities in light of scientific charity evaluation, the role that such information and charity rates have, and which are the ideal circumstances to make such decisions. This is particularly important given the considerable variation in cost-effectiveness within the same charitable cause, often differing by a factor of 100 or even a thousand.

Chapter 2 investigates why donors often choose charities based on fairness considerations rather than cost-effectiveness, despite abundant data on the impact of various interventions. In an incentivized online experiment with 567 active U.S. donors evaluating two charities focused on improving education in Kenya—where one charity is 100 times more cost-effective than the other—36.1% of donors split their donations equally. Open-ended responses revealed that fairness, rather than distrust of effectiveness data, drives this 50-50 allocation, even when both charities serve the same recipient group. These findings suggest that fairness is a deeply ingrained motivator in donation behavior, making it challenging for highly effective charities to secure full donations based solely on their impact.

This has important implications for practitioners. The fact that over one-third of donors prioritize fairness over impact means that cost-effective charities may need to adopt distinct fundraising strategies depending on whether donors are motivated by fairness or impact. For example, highlighting relative effectiveness is a critical strategy for informing impact-oriented donors, leading to larger contributions to effective charities. However, fairness-oriented donors might respond better to bundling strategies that allow them to support both the most effective and popular charities. Research by Caviola and Greene (2023) showed that offering donors the option to split their contributions 50-50 between a highly effective charity and their favorite charity reduced exclusive donations to the favorite from 82% to 46%. This suggests that leveraging, rather than opposing, donors' fairness motivations could increase overall giving to effective charities. Thus, to enhance effective giving, fundraisers should focus on balancing these two motivations, using strategies that appeal to both impact-driven and fairness-driven donors.

Chapter 3 addresses the mixed evidence in the literature regarding the impact of charity effectiveness information on donation decisions. The chapter begins by summarizing existing research on effective giving and analyzing why previous studies have produced inconsistent results. To contribute new evidence, my co-authors and I conducted an incentivized online experiment involving 1,593 active U.S. donors. Three key findings emerge: (1) charities with positive effectiveness ratings receive significantly more donations compared to unrated charities or those with alternative quality ratings; (2) donors tend to overestimate the cost-effectiveness of charitable interventions but underestimate the difference between an average

and a top-performing charity; and (3) cost-effectiveness information only increases donations to highly effective charities when it matches or exceeds donors' preconceived expectations. As a result, presenting relative cost-effectiveness data leads to higher donations compared to presenting absolute metrics, as the relative figures often exceed donor expectations. These findings help resolve the conflicting evidence on the role of effectiveness information in donation decisions and offer actionable insights for fundraisers.

The practical implications of these results are significant for charities and fundraisers. We recommend that all charities highlight positive ratings, but charities with exceptional cost-effectiveness will benefit most if their impact is certified by respected evaluators like GiveWell. However, it is crucial for organizations to only disclose quantitative metrics if they anticipate a positive reaction from donors, as numbers can sometimes have a negative effect if they fall short of donor expectations. Furthermore, our findings emphasize the potential of relative cost-effectiveness comparisons—an underutilized strategy in the sector. Implementing these comparisons can enhance donor awareness of disparities in effectiveness, stimulate competition among charities, and improve overall cost-effectiveness and transparency. Future research should examine whether greater awareness of these differences increases donors' demand for relative cost-effectiveness information in settings where individuals actively choose to acquire such data. This strategy could reshape how charities present their impact and how donors allocate their funds, ultimately leading to more effective philanthropic outcomes.

Chapter 4 investigates whether asking donors to make pledges instead of seeking immediate contributions can benefit highly effective charities. Through an incentivized online experiment with 1,174 U.S. donors, we examine how pledges affect donor generosity, charity selection, and attention to cost-effectiveness information. Our findings reveal that pledges significantly boost contributions to cost-effective charities in the following week. By establishing a reference point for future donations, pledges simplify the decision-making process and allow donors to focus more on evaluating the impact of different charitable options. Consequently, donors in the pledge group allocate a larger share of their donations to more cost-effective charities compared to those in the control group. These results suggest that incorporating pledges into fundraising strategies can substantially increase donations to highly effective charities.

The practical implications of these findings are significant for both charities and philanthropic advisors. First, highly effective charities and meta-charities that focus on impact should consider integrating planned giving options, such as donation dashboards and donor-advised funds, into their websites. These tools can facilitate pledges and enhance donor engagement over time. Additionally, our results offer insights for philanthropy advisors: scheduling two sessions with donors—one to define the donation amount and another to review different options alongside scientific evaluations—can lead to better-informed and more impactful giving decisions. Furthermore, this approach increases donor satisfaction, as prior studies have shown that the emotional rewards of giving are greater when donors can see the positive impact of their contributions. Overall, offering pledges as part of fundraising strategies has the potential to significantly boost both generosity and the efficiency of charitable giving, creating a win-win scenario for donors and highly effective organizations.

During my participation in the Science in Philanthropy Initiative Conference and various events and conferences for practitioners, several representatives from charitable organizations

approached my co-authors and me, seeking advice on how to implement our research findings. To date, we can highlight that organizations such as Doneer Effectief, Ayuda Effectiva, Effektiv Spenden, and the 10% Club have already adapted their practices and web presence in direct response to our findings and recommendations. I, therefore, hope my dissertation advances the understanding of how donors make charitable decisions, particularly in the context of fairness, cost-effectiveness, and the use of pledges. Across three experimental chapters, our research aims to provide insights into why donors often prioritize fairness over impact (Chapter 2), how cost-effectiveness information influences donation behavior (Chapter 3), and the potential for pledges to increase generosity towards highly effective charities (Chapter 4).

Moreover, this research emphasizes the importance of strategic fundraising approaches, suggesting that charities should tailor their messaging to different donor types. For instance, highlighting relative effectiveness can increase donations from impact-oriented donors, while bundling strategies that balance popular and effective charities may better engage fairness-oriented donors. Additionally, incorporating pledge options into fundraising platforms can lead to higher donations and increased attention to cost-effectiveness, ultimately enhancing the impact of charitable giving.

Overall, this dissertation can contribute to both the academic literature on effective giving and the practical strategies that charities and fundraisers can adopt to maximize donor engagement and welfare-improving contributions. By bridging the gap between donor motivations and effective giving, it offers a roadmap for increasing both the volume and impact of charitable donations.