



**UNITED NATIONS
UNIVERSITY**

UNU-MERIT

UNU-MERIT Working Paper Series

#2014-064

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

Nyasha Tirivayi

Maastricht Economic and social Research institute on Innovation and Technology (UNU-MERIT)

email: info@merit.unu.edu | website: <http://www.merit.unu.edu>

Maastricht Graduate School of Governance (MGSoG)

email: info-governance@maastrichtuniversity.nl | website: <http://mgsog.merit.unu.edu>

Keizer Karelplein 19, 6211 TC Maastricht, The Netherlands

Tel: (31) (43) 388 4400, Fax: (31) (43) 388 4499

UNU-MERIT Working Papers

ISSN 1871-9872

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

**Maastricht Graduate School of Governance
MGSOG**

*UNU-MERIT Working Papers intend to disseminate preliminary results of research
carried out at UNU-MERIT and MGSOG to stimulate discussion on the issues raised.*

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

* Corresponding author: tirivayi@merit.unu.edu. UNU-Merit (United Nations University) Keizer Karelplein 19, 6211 TC, Maastricht, Netherlands. Telephone: +31433884435.

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 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). λ_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)”.

δ_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

Variables	%
<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
Personal/household characteristics				
Female	-0.001	(0.020)	0.009	(0.021)
<i>Race^a</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^b</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^c</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)
Social capital				
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)
Motives				
WARMGLOW ^e : agree	0.090**	(0.036)	0.055	(0.036)
WARMGLOW: neutral	0.074*	(0.044)	0.014	(0.047)
INEQUAL ^f : 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> ²	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.

References

- Andreoni, J., Rao, J. M., Trachtman, H., 2011. Avoiding the ask: a field experiment on altruism, empathy, and charitable giving. National Bureau of Economic Research. NBER Working Paper Series (Working Paper 17648)
- Andreoni, J., Bernheim, B. D., 2009. Social image and the 50–50 norm: A theoretical and experimental analysis of audience effects. *Econometrica*, 77(5), 1607-1636.
- Andreoni, J. (1990). Impure altruism and donations to public goods: a theory of warm-glow giving. *Econ. J.*, 464-477.
- Bekkers, R., Wiepking, P., 2011. Who gives? A literature review of predictors of charitable giving part one: religion, education, age and socialisation. *Voluntary Sector Review.*, 2(3), 337-365.
- Brooks, A., 2005. Does social capital make you generous? *Soc. Sci. Quart.*, 86(1), 1–15.
- DellaVigna, S., List, J. A., Malmendier, U., 2012. Testing for altruism and social pressure in charitable giving. *Quart. J. Econ.*, 127(1), 1-56.
- Derin-Güre, P., Uler, N., 2010. Charitable giving under inequality aversion. *Econ. Lett.*, 107(2), 208-210.
- Everatt, D., Habib, A., Maharaj, B., Nyar, A., 2005. Patterns of giving in South Africa. *Voluntas.*, 16(3), 275-291.
- Habib, A., Maharaj, B., Nyar, A., 2008. Giving, Development and Poverty Alleviation., in Habib, A., Maharaj, B. (Eds), *Giving and Solidarity*. HSRC Press., Cape Town, pp. 17-44.
- Lee, B. A., & Farrell, C. R., 2003. Buddy, can you spare a dime? Homelessness, panhandling, and the public. *Urban. Aff. Rev.*, 38(3), 299-324.
- Putnam, R., 2000. *Bowling Alone: The Collapse and Revival of American Community*. A Touchstone Book, New York.
- Roberts, R. D., 1984. A positive model of private charity and public transfers. *J. Polit. Econ.*, 136-148.
- Centre for Civil Society. South African Social Giving Survey 2003 [dataset]. Version 1.1. Durban: Centre for Civil Society, University of Kwazulu-Natal [producer], 2005. Cape Town: DataFirst [distributor], 2012.

Wiepking, P., & Bekkers, R., 2012. Who gives? A literature review of predictors of charitable giving. Part Two: Gender, family composition and income. *Voluntary Sector Review*, 3(2), 217-245.

Yamamura, E., 2012. Charitable giving under inequality aversion and social capital. *Economics Bulletin*, 32(4), 3140-3147.

The UNU-MERIT WORKING Paper Series

- 2014-01 *The medium-term effect of R&D on firm growth* by Marco Capasso, Tania Treibich and Bart Verspagen
- 2014-02 *Diverse and uneven pathways towards transition to low carbon development: The case of diffusion of solar PV technology in China* Michiko Iizuka
- 2014-03 *User innovators and their influence on innovation activities of firms in Finland* by Jari Kuusisto, Mervi Niemi and Fred Gault
- 2014-04 *Migration, remittances and household welfare in Ethiopia* by Lisa Andersson
- 2014-05 *Path-breaking directions of nanotechnology-based chemotherapy and molecular cancer therapy* by Mario Coccia and Lili Wang
- 2014-06 *Poor trends - The pace of poverty reduction after the Millennium Development Agenda* Richard Bluhm, Denis de Crombrughe, Adam Szirmai
- 2014-07 *Firms' adoption of international standards: Evidence from the Ethiopian floriculture sector* by Mulu Gebreeyesu
- 2014-08 *School choice, segregation, and forced school closure* by Cheng Boon Ong and Kristof De Witte
- 2014-09 *Gender difference in support for democracy in Sub-Saharan Africa: Do social institutions matter?* by Maty Konte
- 2014-10 *Why are women less democratic than men? Evidence from Sub-Saharan African countries* by Cecilia García-Peñalosa and Maty Konte
- 2014-11 *Tipping points? Ethnic composition change in Dutch big city neighbourhoods* by Cheng Boon Ong
- 2014-12 *Technology life cycle and specialization patterns of latecomer countries. The case of the semiconductor industry* by Giorgio Triulzi
- 2014-13 *Patents as quality signals? The implications for financing constraints on R&D* by Dirk Czarnitzki, Bronwyn H. Hall and Hanna Hottenrott
- 2014-14 *Assessment of effectiveness of Chinese aid in competence building and financing development in Sudan* by Samia Satti Osman Mohamed Nour
- 2014-15 *Education, training and skill development policies in Arab Gulf countries: Macro-micro overview* by Samia Satti Osman Mohamed Nour
- 2014-16 *Structure of labour market and unemployment in Sudan* by Samia Satti Osman Mohamed Nour
- 2014-17 *Overview of knowledge transfer in MENA countries - The case of Egypt* by Samia Satti Osman Mohamed Nour
- 2014-18 *The impact of ICT in public and private universities in Sudan* by Samia Satti Osman Mohamed Nour
- 2014-19 *End-user collaboration for process innovation in services: The role of internal resources* by Mona Ashok, Rajneesh Narula and Andrea Martinez-Noya
- 2014-20 *Public investment and regional politics: The case of Turkey* by Mehmet Guney Celbis, Denis de Crombrughe and Joan Muysken
- 2014-21 *Infrastructure and the international export performance of Turkish regions* by Mehmet Guney Celbis, Peter Nijkamp and Jacques Poot
- 2014-22 *Discovering and explaining work-family strategies of parents in Luxembourg* by Nevena Zhelyazkova
- 2014-23 *Parental leave take up and return to work of mothers in Luxembourg: An application of the model of nested dichotomies* by Nevena Zhelyazkova

- 2014-24 *Millennium Development Goals: Tool or token of global social governance?* by Mueid Al Raei, Elvis Amoateng, Elvis Koroku Avenyo, Youssef Beshay, Mira Bierbaum, Charlotte Keijser and Rashmi Sinha
- 2014-25 *One Europe or several? Causes and consequences of the European stagnation* by Jan Fagerberg and Bart Verspagen
- 2014-26 *The harmony of programs package: Quasi-experimental evidence on deworming and canteen interventions in rural Senegal* by Théophile Azomahou, Fatoumata Diallo and Wladimir Raymond
- 2014-27 *Country Terms of Trade 1960-2012: Trends, unit roots, over-differencing, endogeneity, time dummies, and heterogeneity* by Thomas Ziesemer
- 2014-28 *The structure and comparative advantages of China's scientific research - Quantitative and qualitative perspectives* by Lili Wang
- 2014-29 *Transition to knowledge-based economy in Saudi Arabia* by Samia Satti Osman Mohamed Nour
- 2014-30 *Challenges and opportunities for transition to knowledge-based economy in Arab Gulf countries* by Samia Satti Osman Mohamed Nour
- 2014-31 *Migration of international students and mobilizing skills in the MENA Region* by Samia Satti Osman Mohamed Nour
- 2014-32 *Beyond product innovation; improving innovation policy support for SMEs in traditional industries* by René Wintjes, David Douglas, Jon Fairburn, Hugo Hollanders and Geoffrey Pugh
- 2014-33 *The impact of innovation support programmes on SME innovation in traditional manufacturing industries: an evaluation for seven EU regions* by Dragana Radicic, Geoffrey Pugh, Hugo Hollanders and René Wintjes
- 2014-34 *Beliefs dynamics in communication networks* by Théophile T. Azomahou and Daniel C. Opolot
- 2014-35 *Stability and strategic diffusion in networks* by Théophile T. Azomahou and Daniel C. Opolot
- 2014-36 *Epsilon-stability and the speed of learning in network games* by Théophile T. Azomahou and Daniel C. Opolot
- 2014-37 *Afghan unaccompanied minors in the Netherlands: Far away from home and protected?* by Carla Buil and Melissa Siegel
- 2014-38 *Multinational production and trade in an endogenous growth model with heterogeneous firms* by Hibret B. Maemir and Thomas Ziesemer
- 2014-39 *The political economy of research and innovation in organic photovoltaics (OPV) in different world regions* by Serdar Türkeli and René Kemp
- 2014-40 *Towards the societal system of innovation: The case of metropolitan areas in Europe* by Serdar Türkeli and René Wintjes
- 2014-41 *To return permanently or to return temporarily? Explaining migrants' intentions* by Özge Bilgili and Melissa Siegel
- 2014-42 *Catching up and lagging behind in a balance-of-payments-constrained dual economy* by Alejandro Lavopa
- 2014-43 *An introduction to the economics of rare earths* by Eva Bartekova
- 2014-44 *The unequal effect of India's industrial liberalization on firms' decision to innovate: Do business conditions matter?* By Maria Bas and Caroline Paunov
- 2014-45 *Insurgents in motion: Counterinsurgency and insurgency relocation in Iraq* by Pui-hang Wong

- 2014-46 *Successive leadership changes in the regional jet industry* by Daniel Vertesy
- 2014-47 *Demand, credit and macroeconomic dynamics: A microsimulation model* by Huub Meijers, Önder Nomaler and Bart Verspagen
- 2014-48 *Accessibility analysis as an urban planning tool: Gas station location* by D.A. Escobar , C. Cadena-Gaitán, F.J. Garcia
- 2014-49 *China's economic embrace of Africa - An international comparative perspective* by Tobias Broich and Adam Szirmai
- 2014-50 *Mapping regional social enterprise ecosystems in India: Framework and indicators* by Lina Sonne
- 2014-51 *Does shelter assistance reduce poverty in Afghanistan?* By Craig Loschmann, Christopher R. Parsons and Melissa Siegel
- 2014-52 *How important is innovation? A Bayesian factor-augmented productivity model on panel data* by Georges Bresson, Jean-Michel Etienne and Pierre Mohnen
- 2014-53 *Does too much work hamper innovation? Evidence for diminishing returns of work hours for patent grants* by Mehmet Güney Celbi , Serdar Türkeli
- 2014-54 *Globalization, the rise of biotechnology and catching up in agricultural innovation: The case of Bt technology in India* Michiko Iizuka and Ajay Thutupalli
- 2014-55 *Where are innovation indicators, and their applications, going?* by Fred Gault
- 2014-56 *Productivity in services in Latin America and the Caribbean* by Elena Arias-Ortiz, Gustavo Crespi, Alejandro Rasteletti and Fernando Vargas
- 2014-57 *Optimal public investment, growth, and consumption: Fresh evidence from African countries* by Augustin Kwasi Fosu, Yoseph Yilma Getachew and Thomas H.W. Ziesemer
- 2014-58 *International R&D alliances by firms: Origins and development* by Rajneesh Narula and Andrea Martínez-Noya
- 2014-59 *Appropriability mechanisms, innovation and productivity: Evidence from the UK* by Bronwyn H. Hall and Vania Sena
- 2014-60 *The size of patent categories: USPTO 1976-2006* by François Lafond
- 2014-61 *Asset recombination in international partnerships as a source of improved innovation capabilities in China* by Simon C. Collinson and Rajneesh Narula
- 2014-62 *The viability of sustained growth by India's MNEs: India's dual economy and constraints from location assets* by Rajneesh Narula
- 2014-63 *The effect of unconditional cash transfers on adult labour supply: A unitary discrete choice model for the case of Ecuador* by Andrés Mideros and Cathal O'Donoghue
- 2014-64 *Giving in South Africa: Determining the influence of altruism, inequality aversion and social capital* by Nyasha Tirivayi