Assignment FSE

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Research Summary:

Keywords

Factorial survey experiment, donation, nudging

Introduction

What, why and how?

Theory:

Relevant Theories, Hypnosis building

Method

Why FSE?

The next part will give short description of the survey methodology itsself:

The initial planning was to run this experiment as Pen-and-Paper Personal Interviews (PAPI). Due to the Covid-19 Pandemic this was not feasible anymore. Therefore, we resorted to sending the PDF of the questionnaires to the respondents and asking them to print it and send it back.

When creating the questionnaires a sampling strategy needs to be employed. However, our survey only has 5 dimensions with 3,3,3,2,2 levels. This means that we have a universe of 108 unique vignettes. Including 12 vignettes for each survey we able to survey the complete universe of vignettes in 9 surveys. We surveyed 17 individuals and each deck at least once which should increases the validity.

Operationalization

For each of the twelve vignettes we presented the respondent with five dimensions for which he or she had to respond to the question *How likely is it that you are going to donate the amount?* The following dimensions were:

- The working situation of the person who will be asked to donate. The available options are a minimum wage job and a well paying job.
- The amount of money you receive. It can be either 10, 100 or 1000 Euros.
- The origin of the money. The available options were tax refund, gift from mother or a bonus from work.
- The channel of the money. This differentiates between whether you have yet to receive the money and can decide to redirect it to the cause or whether you have already received the money.
- Lastly, the goal of the donation which can be building state capacity in Uganda, supporting small businesses and entrepreneurs in Uganda or provide education for young mothers in Uganda.

The respondent is then asked about their likelihood of donating using a Likert Scale with 5 values. The extremes (-2 and 2) were labeled "Very unlikely" and "Very likely" respectively.

Below you will find one example vignette as it was presented to the respondents:

V6 You are working in a well paying job. You received 1000 Euros from a your employer as a bonus and have the option to donate that money to an organization dedicated to building state capacity in Uganda.

How likely is it that you are going to donate the amount?

Very unlikely				**Very likely**
-2	**-1**	**0**	**1**	**2**
☐	☐	☐	☐	☐

In addition to these 12 vignettes we asked the respondents to answer 5 questions on themselves, more specifically gender, year of birth, country of residence and highest educational qualification.

Theoretical Background and Relevance

Relevance

Donations for humanitarian purposes are essential for many organizations and regions of the world. There is much research in the literature to understand why and how people donate money. VGL XXX. Although there are discussions about the efficiency and long-term effects of charitable donations and foreign aid (SACHS ZITIEREN), millions of people, through no fault of their own, find themselves in situations where donations are essential for survival. From this fact and the mandate of the UN Universal Declaration of Human Rights (ART 1 and 3) "All human beings are born free and equal in dignity and rights", "Everyone has the right to life, liberty and security of person". it follows that at this point in time it is not possible to refrain from making donations. In this study we will not talk about the moral and economic implications of donations, but we will assume that they are necessary. We are only interested in understanding why people donate and what they donate for. The results of this experiment will help charitable organizations to better adapt fundraising to their specific circumstances. This should maximize the amount of money donated to charity.

The Factorial Survey Methodology

Ample research is based on empirical analyses of the donation behavior of specific population groups. XXX While this approach reflects reality more accurately because it takes unobserved factors into account when individuals make decisions, it is precisely here that the weakness of this analysis technique lies. (XXX) Although Factorial Surveys are not a new approach in the field, we believe that our approach deserves some attention. Through a Factorial Survey it is possible to combine the advantages of an experiment with those of a questionnaire. This means that although the number of

participants is significantly higher than in a laboratory experiment, causal statements can be made by allowing the researchers to control all factors.

Theoretical Background

In this section we will explain the theoretical connections of individual variables and dimensions with the willingness to donate. The first variable is the origin of the money that the participant should imagine to have received. Several authors have already investigated how different origins of money can change the probability and amount of a donation. For example, Steinberg et al. find in their study "Inheritance and Charitable Donations" that inherited money has a significantly higher elasticity in donations than earned money. The theoretical argumentation used by the authors is the "Mental Accounting Theory" according to Shefrin and Thaler. Mental accounting is used in behavioural economics as an approach to explain the varying handling of different (objectively often equivalent) financial transactions. Thaler's analyses for empirical anomalies in orthodox economics and his analysis of mental accounting earned him a Nobel Prize in 2017. Accordingly, his theories are widely accepted and represent the modern basis for behavioural economics. In our study the variable takes the values:

- Tax refund
- Bonus
- Gift from mother

The tax refund is a windfall gain where we expect the elasticity of the donations to be relatively high. (XXX) Furthermore, the variable should point out the positive aspects of a nation state (REVISION) and thus be linked to the aim of the donation. The interaction with the objectives of the donation will be examined in more detail at a

later stage. The second variable, the bonus, represents the origin "earned money". Since the money itself was earned here, we assume that there will be a significantly lower elasticity and willingness to donate. Because people feel as if they have a claim to the money. Furthermore, studies have already confirmed that people are driven into a "market mode" by self-earned money. Here people become less cooperative and less social. They live more according to the motto: "When everyone thinks of themselves, everyone is thought of."(BBE LAST SESSION + REVISION) Lastly, we will focus on the expression "gift of the mother". A gift from the mother is a windfall gain but is often connected with the norm that the money is spent for the own or common good. Therefore we expect that the willingness to donate will decrease. (REVISING)

In summary, our hypotheses regarding the first variable are:

- H1a: $\beta_{taxrefund} > 0$
- H1b: $\beta_{earnedmodey} < 0$
- H1c: $\beta_{giftfrommother} < 0$

The next two variables we will consider are the income of the person and the amount of money received by each participant. Basically, the income of a person is a variable that in most cases correlates positively with the amount of donations. (e.g. CHANG, Wen-Chun. "Determinants of donations") The participants in our study should imagine that they either have a "well paying job" or a "poorly paying job". Thus, we expect that the willingness to donate increases with rising income, i.e. with a positive manifestation of the binary coded variable "well paying job". Further, participants should imagine that they received varying amounts of money through the previously described channels. The values of this variable were logarithmically increasing: 10,100 &1000€. The range of values of the variable was determined by considering to what extent the amount of money would be logically compatible with the channels of money transfer.

For example, a €10,000 money gift from a mother would be an overloading of the participants' imagination. Equally ridiculous would be a €1 bonus. The next variable that the participants had to imagine was the goal of the humanitarian organisation. Three different variables were coded: * Building State Capacity = Funding the completion of a new highway which will connect the two main cities in Uganda \ *Providing education for mothers = Funding courses for women preparing them for Birthgiving and Motherhood* \ Supporting Entrpreneurs = Funding Consulting-work for SMEs in rural areas \ Although it can be deduced from the literature that the goals of an organization are important determinants of the donation behavior of individuals, this was not the decisive determinant for our choice when coding the variables. (see Why Urban Poor Donate: A Study of Low-Income Charitable Giving in London) Our intention in coding the goals of the organisation was to link them to the origin of the money. Here we are once again taking up Thaler's Mental Accounting theory. If the income and expenses were in the same mental accounts of the participants it is expected that they will have less resistance to donate the money because no account will be "empty". If we look at Richard Thaler's most important work on this topic from 1999, we find this phenomenon in the first section of the first page. He explains: "A few years ago I gave a talk to a group of executives in Switzerland. After the conference my wife and I spent a week visiting the area. At that time the Swiss franc was at an all-time high relative to the US dollar, so the usual high prices in Switzerland were astronomical. My wife and I comforted ourselves that I had received a fee for the talk that would easily cover the outrageous prices for hotels and meals. Had I received the same fee a week earlier for a talk in New York though, the vacation would have been much less enjoyable." In a later section, he elaborates that it was less painful to spend money in Switzerland because he had a Swiss lecture mental account that could not negatively impact his overall wealth as he was just being "filled". We expect that this will also be the case with the participants' donations.

A gift from ones mother and Funding courses for women preparing them for birthgiving and motherhood in Uganda will be included in one Mental Account, as will Thaler's Swiss journey. The same is the true for a bonus resulting from ones own performance and the support of SMEs in developing countries. Finally, a tax refund and support for Uganda's state building capacity should also be included in only one account. Across all of the organizations' goals, we have kept the country target constant for two reasons. First, Uganda is one of the poorest countries in the world. According to the CIA World Factbook, Uganda ranks 199th in the category GDP per Capita. While this does not necessarily say everything about the living standards and the welfare needs of the country's inhabitants, it is a good proxy. (https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html) The low standard of living in the country where the aid is to go is supposed to confirm the donors' expectation that the people receiving the money will need it. The second reason is that we want to vary as few factors as possible between the different categories in order to guarantee the greatest possible validity of our estimators. Nevertheless, we will analyse the individual interaction effects separately in order to rule out the possibility that the mental linking of the accounts may not have worked for all examples. Furthermore, especially in the case of donations with the goal of motherhood, we will add an interaction with the variable gender. Our hypotheses for the variable "Goals of Donation" are therefore as follows.

H2: There will be a significant positive effect of the dummy variable "Equal" which takes the value 1 if the origin and the destination of the money are in the same mental account. So: $\delta_equal > 0$

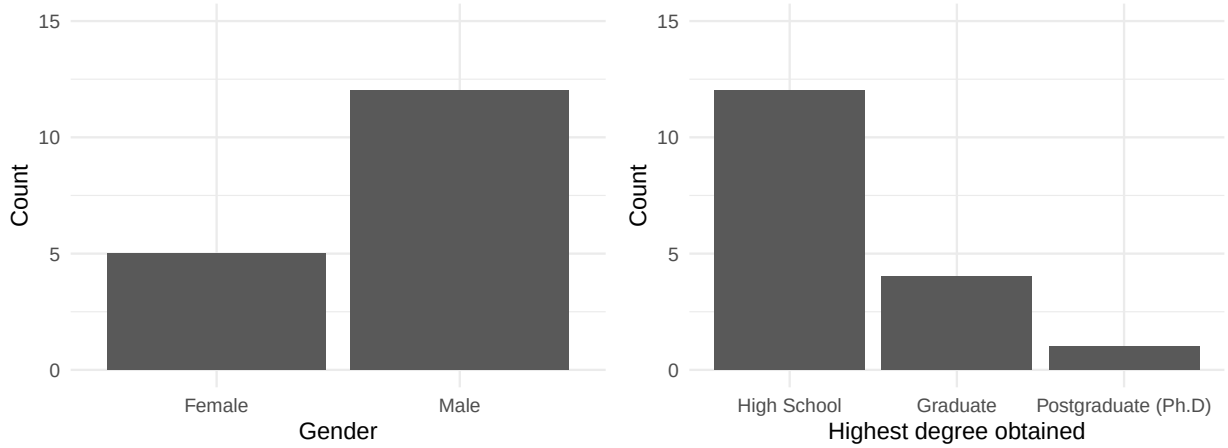
H2a: $ {a{man}} \times {a{goal:mother}} > 0 $

H2b: $\delta_{origin:taxrefund} \times \delta_{goal:state} > 0$

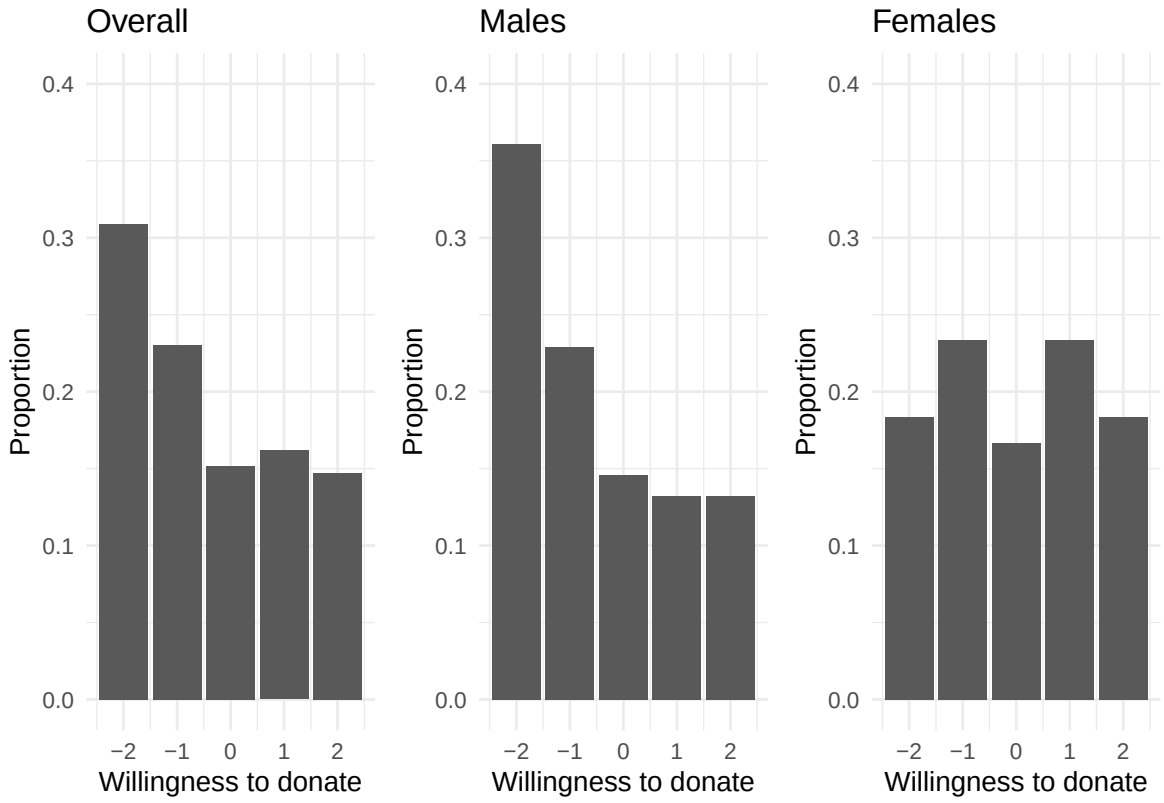
H2c: $ _{goal:SME} > 0 $

Results

Before looking at inferential statistics it is essential to get an overview over the data, starting with the properties of the respondents themsselves:



In order to give a short display of the data, the distribution of the main outcome variable is plotted below:


Overall
Males
Females
Proportion
0.0
0.1
0.2
0.3
0.4
−2
−1
0
1
2
Willingness to donate

Discussion