

# Exploring Dynamics of Private Giving as Income Support Institution for Endowment Deficient Consumers

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## ABSTRACT

*This study explores the private charitable giving behaviour using data from respondents in Karachi. We aim to explore the extent, modes and channels of private charitable giving. Our descriptive results highlight the importance of the institution of family, both for the deployment of charitable funds and also in searching the right targets for charitable giving. We find religious motive to be the strongest motivation for charitable giving and it does not conflict with humanistic motive. The respondents identify that lack of trust, small size of donations, inability to verify activities of charities and difficulty in ensuring privacy are the major obstacles in charitable giving. We recommend that Cash Waqf can provide an effective basis of channelizing charitable funds in the private non-profit sector given the high prevalence of voluntary giving in the form of cash throughout the year and the existing trust deficit between people and the public Zakat agency.*

**Keywords :** Charity, Philanthropy, Altruism, Third Sector, Social Finance

## 1. INTRODUCTION

People typically earn incomes from supplying labour services in the labour market during the working years of life. However, the lifespan encompasses infancy, youth and old age wherein people generally are not part of the labour force and hence, they are not able to generate a continuous stream of incomes. Nonetheless, consumption, especially essential consumption is required to survive in all periods of life. While rich people may inherit wealth from parents and be able to save for retired age, the same prospects are most probably non-existing for the poor. They may inherit poverty rather

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than wealth from their parents and may lack employable skills to generate sufficient and stable incomes to ensure even essential consumption expenditure. Furthermore, with lack of assets in ownership generally, their consumption is tied to income. Thus, for endowment deficient consumers, smoothing consumption is more about smoothing income rather than making intertemporal investment decisions from surplus endowments to earn post-retirement savings funds.

In Pakistan, the incidence of poverty is high, especially in rural areas. Naveed and Ali (2012) conclude that as many as 58.7 million people in Pakistan are living in multidimensional poverty with 46% of the rural population and 18% of the urban population falling below the poverty line. The recent United Nations Development Programme (2016) report reveals that multi-dimensional poverty in Pakistan stands at 38.8% in 2016. Poor people usually depend on their incomes for consumption expenditure given the lack of other endowments in their ownership. In addition to that, the non-availability of other endowments makes them excluded from formal financial services. Indeed, only 3% of the population borrows from banks in Pakistan. There are only 25 borrowers per 1,000 adult people in Pakistan, according to Global Financial Development Report (2014).

On the other hand, the government is constrained with low tax to GDP ratio and high debt servicing and other non-development expenditure. As a consequence, it has a large fiscal deficit and very low spending on development and even less on direct support to the poor. According to Pakistan Center for Philanthropy (2002), the government funds comprise only 6% of the total funding for the non-profit institutions in Pakistan while the average for several developed and developing countries is 40%. This shows that the government is not able to provide even substantial indirect support by funding non-profit institutions. On the other hand, the microfinance outreach in Pakistan is approximately 3 million, which is less than 10% of the total poor population in the country. Therefore, the poor have little salvage from exclusive lending criteria of commercial banks, low outreach of microfinance and lack of large-scale pro-poor public sector expenditures and social security programs. Therefore, this void is largely filled by private philanthropy in Pakistan.

To give just a glimpse of how important the third sector is in the socio-demography of Pakistan, we list a few major success stories. The Sindh Institute of Urology and Transplantation (SIUT) is a privately funded dialysis and kidney transplant centre in Karachi. It is the country's largest public sector health organisation providing services free of any cost. Shaukat Khanam Cancer Hospital and Research Center is the country's largest cancer hospital with an annual budget of Rs 10 billion (\$ 96 million). The hospital was built through private donation drive in 1994. Edhi Foundation which originated

from Karachi holds the Guinness record for world's 'largest volunteer ambulance organization' since 1997. Indus Hospital in Karachi provides free of cost treatment. It is a private hospital working on donations and has treated 2.3 million patients during 2007-2016. Among the numerous food distribution centres, Saylani Welfare Trust provides meals twice a day to more than 50,000 people in the city of Karachi free of cost. This is just a small account of the vibrant and sizable private philanthropic system of social services in Pakistan, especially in the city of Karachi.

## 2. RESEARCH RATIONALE

Due to the high incidence of poverty in Pakistan, the poor people face income and liquidity constraints in smoothing their essential consumption (Khan and Nishat, 2011). Even after the deregulation of banking sector and increase in the number of banks and branch network, financial services, especially for credit, are available only to the upper middle-class people in urban areas. Microfinance is still on the fringes and is serving approximately 3 million people, but the number of people under poverty is estimated to be in excess of 50 million. Thus, the void is largely filled by private giving. Even in private giving, the size of corporate philanthropy is insignificant as compared to the size of individual giving.

In Pakistan, the annual corporate philanthropy is around Rs 4.8 billion (\$46 million) which is around 0.6% of the profit before tax of listed companies, according to Pakistan Center for Philanthropy (PCP). However, the share of corporate philanthropy in overall private giving is not significant. Using 2010 cross sectional data for Pakistan, Jehangir and Arif (2016) provide a conservative estimate of the size of individual giving to be Rs. 142 billion (\$1.36 billion). According to PCP, the total estimated charitable giving in Pakistan stands at Rs. 300 billion (\$2.8 billion) in 2015. In the provincial studies, the amount contributed in the year 2013 stood at Rs. 67.9 billion (\$0.65 billion) in Sindh and Rs. 103.69 billion (\$1 billion) in Punjab, according to PCP reports for individual philanthropy in Sindh and Punjab.

A recent estimate by Pakistan Peace Initiative (2017) contends that people in Pakistan pay around Rs. 554 billion (\$5.31 billion) in charity every year. If we compare this with Pakistan's Public Sector Development Program (PSDP), this amount turns out to be 83.77% of the total PSDP for the 2015-16 budget. In addition to that, the estimated total annual giving by Pakistani Diaspora in the USA which includes money, goods and time exceeds \$1 billion. A study by the Aga Khan Foundation in Pakistan finds that giving by Pakistanis is four times the amount of foreign aid that Pakistan receives (Alam, 2010). Thus, it shows that majority of private giving comes from the individuals and goes to either the individuals or to the charitable organizations.

In the early empirical literature on welfare potential of *Infaq* (charity) to alleviate poverty in Pakistan, Malik et al. (1994) use micro data to establish that *Infaq* (charity) does have a significant impact on reducing poverty gap. In a recent empirical study for OIC countries, Shirazi and Amin (2009) estimate the resources required for poverty elimination under \$1.25 a day and \$2.00 a day respectively. Their estimates for Pakistan suggest that Pakistan needs 1% of GDP for poverty elimination under \$1.25 a day and needs 6.77% of GDP for poverty elimination under \$2.00 a day. An earlier estimate by Kahf (1989) reveals that *Zakat* to GDP ratio between 1.6% and 4.4% would be needed to effectively deal with poverty gap in Pakistan. In another recent study on Pakistan, Shaikh (2017) shows that the *Zakat* collectible can be adequate in effectively dealing with poverty gap funding deficit in Pakistan. Furthermore, Azam et al. (2014) in an empirical study for Pakistan establish that *Zakat* significantly enhances the welfare of the households. Akram and Afzal (2014) in an empirical study for Pakistan affirm that *Zakat* disbursement among the poor, needy, destitute, orphans and widows has played a significant role in poverty alleviation. Their results show that there is an inverse relationship between poverty and *Zakat* disbursement both in the short run and in the long run.

Private giving is pervasive in Muslim societies, both as a religious obligation in the form of *Zakat* and voluntary giving in the form of *Sadqat*. Islamic institutions of *Waqf* and *Zakat* redistribute income and wealth while the discouragement of *Kanz* (hoarding) stimulates private giving voluntarily from the surplus endowments (Asad Ibrahim et al., 2014). As per World Giving Index 2016, Muslim majority countries lead the rankings in 2 of the 3 charity types. Iraq tops the list of countries with the most percentage of people helping the stranger; whereas, Turkmenistan tops the list of countries with the most percentage of people volunteering time. Since 2014, the top 10 countries which have achieved the most rapid advance in their ranking by 35 points or more include 5 Muslim majority countries (World giving Index, 2016).

Inadequate provision of financial services to the poor, which comprise one-third of the total population, makes the third-sector institutions critically important. Scarce literature exists on studying the private giving behaviour in Pakistan. This cross sectional study examines the difference in attitude and channels of giving among respondents of different age-groups, gender, marital status, occupation and income strata. Through this study, we investigate what, when, where and to whom people give. Even though philanthropy is a benevolent act, it still involves some important economic decisions. For instance, finding the right targets for giving charity requires search costs amidst asymmetric information. Thus, this study inspects how people locate the right targets. In addition to that, the study identifies the obstacles people face in giving like high search costs, information asymmetry, low levels of trust and lack of anonymity. It

also investigates whether people who face obstacles in private giving, contribute relatively less portion of their surplus income in charity keeping other things constant.

Generally, charities have to depend mainly on individual donors for fundraising (Noor et al., 2015; Yao, 2015). Even in developed countries like the USA, individual giving constitute 80% of the total giving (Vesterlund, 2006). Given the importance of private giving as support institutions to contribute towards socio-economic mobility and income and consumption smoothing of poor, this current study explores the behaviour of private giving in Karachi, which is the largest city in Pakistan.

The study also investigates the perceived effectiveness of organized charities. In social intermediation, one often encounters hurdles, such as search costs, mitigating trust deficit, increasing impactful donation, performing effective screening and efficiently transferring funds to the needy persons in distant areas. We explore that could there be an increase in the effective and efficient mobilization of private charitable giving by establishing registered institutions for organized charities.

### **3. BRIEF LITERATURE REVIEW**

In neoclassical utility maximization literature, social interactions had been first explored by Becker (1974). Becker (1974 & 1976) explores intra-family relations, charitable behaviour and multi-persons interactions. Later on, Andreoni (1989 & 1990) explains that people engage in impure altruism when they contribute in charity or donate for public goods. Hence, these charitable acts also emanate from self-interest, i.e. to get fame, satisfy ego or change the living environment to improve one's own social experience and relations. In mainstream economic literature, 'Warm glow' is defined as the feeling of moral satisfaction generated by contributing.

The empirical literature based on surveys and experimental research suggests various motives for private giving. Harbaugh (1998) opines that charitable donations buy two things for the givers: private warm glow and public prestige. Dunn et al. (2014) discover that people who spend money on others report greater happiness. Aknin et al. (2013) also provide cross cultural evidence that people gain emotional benefits from pro-social spending. Sometimes, people pay just out of peer pressure, to redeem their image in public and to avoid the guilt of saying 'no' (Andreoni & Bernheim, 2009). Brockner et al. (1984) provide some evidence that compliance is greater in face-to face context. Glazer and Konrad (1996) contend that charitable giving enables rich people to signal their wealth in a socially acceptable way. DellaVigna et al. (2009) design an experiment in which subjects donate individually (control group) or in pairs (treatment group). Those in pairs reveal their donation decision to each other. As expected, the average donations in the treatment group are significantly higher than in the control

group. It suggests reluctant altruism due to peer pressure in charitable giving. In another experiment, DellaVigna et al. (2009) design a door-to-door fund-raising drive in which some households are informed about the exact time of solicitation with a flyer on their doorknobs; thus, they can seek or avoid the fundraiser. The experiment finds that the flyer reduces the share of households opening the door by 10% to 25% and, if the flyer allows checking a 'Do Not Disturb' box, it reduces giving by 30%. Hence, the study concludes that both altruism and social pressure affect door-to-door charitable giving.

However, Crumpler and Grossman (2008) infer from an experiment that approximately 57% of the participants made a donation even when the pure altruist did not have any incentive. Hence, charitable spending or voluntary time contribution in social causes can be due to pure altruistic reasons rather than due to factors like satisfying ego, enhancing public image or due to peer pressure. Apart from these secular motives, faithful people may give more or even prime emphasis to religious motives in private giving. Kasri (2013) reveals that the main causes for charitable giving are to help the poor/needful and to support religious causes in Indonesia.

Other studies in the empirical literature also look at the association between socio-economic and demographic characteristics and charitable behaviour. Jencks (1987) and Kitchen and Dalton (1990) establish that there is a positive effect of an increase in income on donations. Some studies show that relatively well-educated persons spend more in charitable causes (Schlegelmilch & Tynan, 1989, Harvey, 1990 and Schlegelmilch et al., 1997). A study by Jones and Posnett (1991) contends that gender differences in charity are significantly different and women tend to be more generous than men. Nevertheless, other studies such as Piliavin and Charng (1990) and Guy and Patton (1989) find no significant differences in private giving behaviour in men and women.

In a study for Pakistan, Hamdani et al. (2004) find that age affects both monetary donations and voluntary time. The study finds that increase in household size reduces donations. The study also reveals that education increases altruism. In a recent study for Pakistan, Awan and Hameed (2014) establish that gender and age do not affect charitable donations, but, income and education affect the charitable donations. Noor et al. (2015) find age to be insignificant in explaining charitable donation behaviour while income, education and age as significant factors affecting charitable donation behaviour among Muslims in Indonesia.

Not only the amount of charity but the aspects like administration, screening, targeting, monitoring and allocation are equally important in creating a sizable impact of private giving. Targeting consumption as against productive skills can lead to different impacts (Saad and Abdullah, 2014). At the same time, different beneficiaries may need both

consumption based assistance as well as services for the enhancement of productive skills. Jabeen and Khan (2008) highlight that most people give a small amount to beggars in a disorganized way. As per the study, the respondents showed their deep concerns regarding the effective use of their money because of their mistrust on the process of the distribution of *Zakat*. Likewise, Kasri (2013) reveals that most of the donors provide funds through ‘informal’ Islamic charities in Indonesia.

Thus, we see that different motives and patterns of giving had been highlighted in the empirical literature based on surveys and experimental research. Understanding these aspects could enable effective administration as well as formulating policies for fostering private charitable giving and making it more impactful. Nevertheless, there is a dearth of studies which highlight the modes and channels of giving as well as the obstacles people face in charitable giving. It is pertinent to explore the organizational modes and channels through which private charitable giving can be effectively mobilized as well as achieve the end objective of reaching the targeted beneficiaries. This study attempts to explore these issues for the increased and effective mobilization of charitable giving.

### 3. RESEARCH METHODOLOGY

#### 3.1 Data Collection

The study collected primary data from respondents through a structured questionnaire. The primary sampling unit is the adult resident of Karachi city who participates in philanthropic activities through cash and in-kind donations. We divided the sample area between Karachi West and South, Karachi East, Karachi Central and Malir and Korangi. We received 417 filled questionnaires with at least 50 questionnaires from each of the distinct location of the sample area. The time selected for the duration of the study was from Ramadan to Rabi-ul-Awwal in the Islamic calendar, which corresponds to the period May 2016 to December 2016. This allowed response in a full season encompassing major philanthropic seasons in the socio-demography of Karachi including Ramadan (for all Muslims), Eid-ul-Fitr (compulsory charity of *Fitra* on Eid and other voluntary charity), Eid-ul-Adha (animal sacrifice), Muharram (for Shia community as they arrange free food and beverage stalls in the month), Rabi-ul-Awwal (for *Barelvi* thought of *Hanafi* fiqh who offer voluntary charity and distribute food in the month) and festivities of two major minorities, Hindus and Christians.

The structured questionnaire was distributed in both English and Urdu language. The use of Urdu language questionnaire enabled us to have the participation of people with less fluency in the English language. The questionnaire was distributed to the potential respondents via post-mail, e-mail and in-person. The questionnaire was also distributed using online survey form in both Urdu and English. Thus, we adopted multiple

means of reaching the target respondents through bilingual questionnaire and by use of face-to-face as well as social and online mediums in different philanthropic seasons to extend the outreach to a heterogeneous cross section of potential respondents.

### **3.2 Questionnaire Design**

We use a structured questionnaire to collect primary data. The questionnaire is divided into three sections. Section A seeks demographic and socio-economic information about the respondents, such as residential location, age, the occupational source of income, gender, marital status and details on income and expenditure. Section B asks information about the magnitude, nature and channels of giving. It seeks information on hard facts about charitable spending such as what, how much, where, when and to whom people give. Section C inquires about attitude and perception towards giving. It asks about the humanistic, religious and social motives of giving. It seeks information about the perceived effectiveness, credibility and accessibility of organized charities. It also invites respondents to identify obstacles which they face in private charitable giving. For opinion questions, we use Likert scale to obtain interval scale response. For categorical questions, choices are stated keeping in view the cultural milieu and socio-economic context of Karachi along with an option for choosing a custom response.

### **3.3 Empirical Approach**

For empirical data analysis, we use both descriptive and inferential tools. For descriptive analysis, we use standard measures of central tendency and dispersion. We employ non-parametric tools for analysis of the association between variables in the cross tabulation. We use Pearson's Chi-square, Likelihood-Ratio Chi-square, Goodman and Kruskal's Gamma, Kendall's Tau and Cramer's V for examining the association between a set of categorical variables.

In addition to that, we employ Exploratory Factor Analysis (EFA) to find common factors that linearly reconstruct the important unobservable variables. We construct an index variable from the multi-item response on obstacles faced in private giving and use that in the multiple regression analysis. We use principal factor, iterated principal factor and principal components factor methods. We decide about which factors to retain based on Kaiser Criterion and Scree plot. We rotate the factor loads for clearer interpretation by using orthogonal rotation method. For multi-item questions, we use Cronbach's alpha for testing reliability of the scale.

Through multiple regression analysis, we explore the determinants of charitable giving. We include the demographic variables, such as age, sex and an interaction dummy variable of marital status and sex. We also include savings variable. We know from

economic theory that savings can be endogenous as they are a function of income. Thus, we use income as an instrumental variable for endogenous savings variable. We also include a factor index variable which represents the degree of problems faced in private charitable giving (PCG). Lastly, we also include an interaction term of above average savings and problems in charitable giving (PCG) to investigate whether respondents with potentially greater ability to contribute to charity are pushed back significantly or not in their charitable giving due to problems in charitable giving. We run the following econometric model using Two-Stage Least Squares (2SLS), Limited Information Maximum Likelihood (LIML), Generalized Method of Moments (GMM) and Iterative GMM (IGMM).

$$\text{Charity} = \beta_0 + \beta_1 \text{Savings} + \beta_2 \text{Age} + \beta_3 \text{Sex} + \beta_4 \text{Marital} * \text{Sex} + \beta_5 \text{PCG} + \beta_6 \text{Savings} * \text{PCG} + \mu \quad \text{--- (i)}$$

#### 4. ANALYSIS AND RESULTS

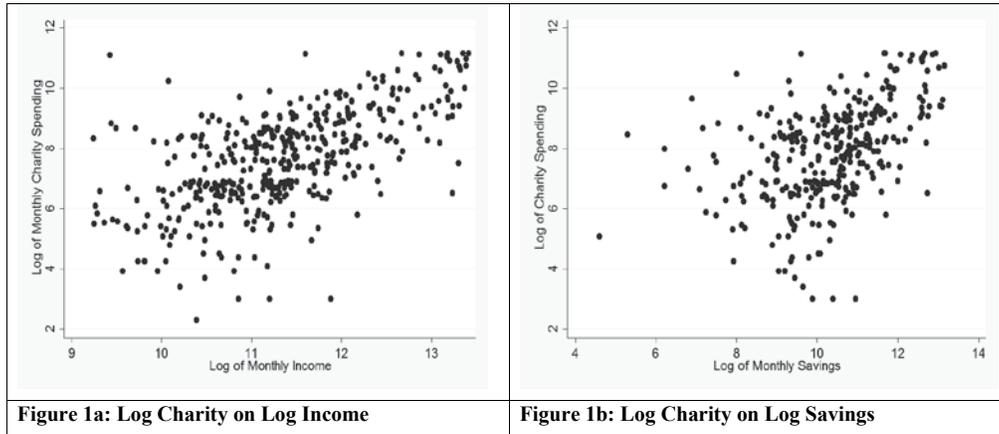
In this section, we provide a summary of our results and findings. Our sample size is 417 with the mean respondent age of 35 years. Our sample has 22% representation of women and the rest are men. In our sample, 60% of the respondents are married while the rest are single. Our sample has representation from various occupations as can be seen from Table 1.

**Table 1: Occupation of the Respondents**

Respondent's Occupation	Frequency	Percent	Cumulative
Salaried – Academic	133	31.89	31.89
Salaried – Corporate Sector	174	41.73	73.62
Businessperson	54	12.95	86.57
Salaried – Government Sector	24	5.76	92.33
Housewife on spouse support	4	0.96	93.29
Student on parents/guardian support	28	6.71	100

We find that charitable giving is positively associated with income and savings as can be seen from Figure 1a and Figure 1b. This result is quite consistent with the theory. In a regression of charitable giving on income, we find that marginal propensity of charitable giving with respect to income is 5.9%. On the other hand, we find that marginal propensity of charitable giving with respect to savings is 7.4% in a regression of charitable giving on savings. The higher responsiveness of charitable giving to savings

as compared to income is plausible since across households, for a given income, the expenditure levels can be quite different from larger households with more dependents to smaller households with less number of dependents.



In Table 2, we give mean charitable giving for different broad income and savings range. Consistent with intuition, mean charitable giving is higher for higher income and savings range. But, there is quite a sizable deviation which is reflected in both the scatter plot in Figure 1a and Figure 1b as well as in the numerical measure of standard deviation. We explore what other demographic and socio-economic factors can explain the charitable spending across the cross section of people by conducting a multiple regression analysis later on.

**Table 2: Charity, Income and Savings**

Charity (Mean)	Income (Rs.)	Std. Dev. (Charity)	Charity (Mean)	Savings (Rs.)	Std. Dev. (Charity)
2,502	Less than 100,000	5,000	4,036	Less than 100,000	7,102
7,593	100,000- 300,000	9,128	20,650	100,000- 300,000	22,326
29,290	More than 300,000	23,467	29,026	More than 300,000	24,022

Next, we take a look at what the religious charitable givings are composed of. In Table 3, we present the break-up of charitable givings. The numbers in each cell represent the percent of the respondents who fall within that range represented by the cell. We observe that in the charitable givings of most people, *Zakat* makes up a major portion of total charitable givings. It is also interesting to note that people are willing to pay beyond *Zakat*. We discover that more than three-fourths of the respondents pay *Sadqa-e-Nafila* (voluntary charity).

**Table 3: Religious Charitable Giving Breakup**

Head of Charity	Percent of Total Charitable Giving					
	Not Applicable	0 – 10	10 – 25	25 – 50	50 – 75	75 – 100
<i>Zakat</i>	25.18%	20.38%	14.15%	13.19%	16.07%	11.75%
Sadqat-ul-Fitr	17.27%	43.41%	19.66%	6.00%	5.76%	7.19%
Sadqa-e-Nafila	22.78%	24.46%	17.51%	13.67%	10.07%	9.35%

In Table 4, we present the details of the beneficiaries of charity to whom the respondents pay. We include both individual to individual as well as individual to institutions charitable giving. Among the individual beneficiaries, we see that two-thirds of the respondents pay to any needy persons, even if they are strangers. This goes on to show that their primary motivation is not direct need of reciprocation. We also observe that more than half of the respondents pay to their relatives or close circle of friends. This highlights the significance of the role of the institution of the family. More people pay to house servants as compared to peon/janitors at the workplace, plausibly because they may regard house servants employed by them personally for their household chores as more worthy of their support. Among the institutional beneficiaries, mosques, religious schools and shrines are the most frequently chosen institutions. Other institutions also get fair attention, except the public *Zakat* agency. It highlights the trust deficit between the public *Zakat* agency and individual givers. It also implies that most of the individual to institutions charitable giving is also concentrated within private sector institutions and non-government organizations.

**Table 4: Beneficiaries of Charity**

Individual Beneficiaries	Percent	Institutional Beneficiaries	Percent
Relatives or close circle of friends.	55.40	Educational institutes accepting charity.	15.35
Any needy person, even strangers.	68.82	Mosques, religious schools or shrines.	37.41
House servants.	47.72	Institutions providing free food.	20.38
Peon / Janitors at workplace	34.43	Government <i>Zakat</i> agency.	3.12
Street beggars.	40.53	Hospitals which receive donations.	19.90

In Table 5, we present the frequency of use of various charitable modes and channels employed by the respondents. We find that almost everyone uses the cash medium for charitable giving. This is most useful to the individual beneficiaries since they can make their own economic choice from the enhanced purchasing power through cash receipts in comparison to charity in kind. Clothes and footwear which people purchase and use for a short time are frequently used in charity-in-kind as compared to consumer

durables. Foodstuff is also frequently used for charity-in-kind given its perishable nature, low cost of provision and the generally high level of food deprivation in the city.

Given the high prevalence of cash based giving, the Islamic institution of cash *Waqf* can be suitable for effectively channelizing the charitable giving in the form of cash. It is also interesting to note that 94% of the respondents stated that they pay throughout the year. Some also state that they pay in and around the religious events and periods spread throughout the year, such as Ramadan (51% of the respondents), Eid-ul-Fitr (24% of the respondents), Eid-ul-Azha (20% of the respondents), Rabi-ul-Awwal (6% of the respondents) and Muharram (4% of the respondents). Cash *Waqf* can be conducive in such a scenario by capitalizing on a consistent source of funds and giving them permanency in terms of the effects and impacts without relying on government's funding (Ismail Abdel Mohsin, 2013).

**Table 5: Charity Modes in Individual to Individual Giving**

Charity Mode	Percent
Cash.	99.76
Clothes and footwear.	54.44
Hides of a sacrificial animal.	28.06
Raw meat of animal sacrifice	25.18
Foodstuff including prepared food	30.46
Used consumer durables and furniture.	19.66
Blood donation.	10.79

It will be interesting to know the various channels through which people engage in charitable giving. Around 74% of the respondents use referrals by family and friends. Public places and mosques connect 33% and 35% of the respondents with the needy beneficiaries. Respondents also receive requests by organized charities (21% of the respondents) as well as requests by individuals at home and workplace (45% of the respondents).

It is pertinent to ask what motivates people to give. As discussed earlier, neoclassical economics welcomes motives within the self-interested paradigm, such as ego, fame and gaining a warm glow effect. Table 5 highlights that religious motives and humanistic motives play the most crucial role as motivators. The legends SD, D, N, A and SA stand for strongly disagree, disagree, neutral, agree and strongly agree in Table 6 through 8. We find from Table 6 that 82.02% either agree or strongly agree that they make charitable payments to fulfill the religious responsibility. Moreover, 67.63% either agree or strongly agree that they pay in charity to purify wealth and 79.38% either agree or

strongly agree that they pay to gain divine blessing and protection. A key question to ask is whether humanistic and religious motives are in conflict with each other. We find that respondents who either agree or strongly agree that they pay for the religious motive, also strongly agree that they pay to gain inner satisfaction (86% of the respondents), help others to live a better life (84.3% of the respondents) and feel a need to give back to people they belong to (85.34% of the respondents).

**Table 6: Motives of Charitable Giving**

Motives	SD	D	N	A	SA
<b>Humanistic</b>					
Gain inner satisfaction.	2.88	1.44	11.51	33.81	48.2
Help others to live a better life.	2.64	0.48	7.43	46.28	41.25
Feel a need to give back to people you belong to.	5.04	2.64	22.78	38.61	27.82
<b>Religious</b>					
Fulfil religious responsibility.	4.08	2.4	9.11	30.94	51.08
Purify wealth.	5.52	5.76	17.99	30.46	37.17
Gain divine blessing and protection.	4.32	2.16	11.03	35.73	43.65
<b>Social</b>					
Donate since my family and friends do.	26.14	24.22	23.98	15.59	6.24
Improve your social image in pees.	52.76	24.46	13.19	3.84	1.92
Conform to community norms and avoid isolation.	43.88	21.82	21.1	7.19	2.4

We also perform tests of independence including Pearson's  $\chi^2$ , the likelihood-ratio  $\chi^2$ , Cramér's V, Goodman and Kruskal's Gamma and Kendall's  $\tau_b$ . The results reject the null hypothesis of no association between fulfilling religious responsibility and gaining inner satisfaction as a motive for charitable spending. We find similar results between other religious and humanistic motives. This suggests that both motives can go hand in hand with each other and there is no necessary conflict between the two.

Among the three categories of motives, we find that humanistic and religious motives are the most significant factors influencing charitable giving; whereas, social factors like conformity to norms, following others and social image are found to be less important. More than three-fourths of the respondents either disagree or strongly disagree that improving the social image is the motivating factor behind charitable giving. This insight challenges the notion of impure altruism as the sole and primary instinct on which to model or base socially empathic human behaviour. Our results are consistent with the earlier results from National Survey of Individual Giving (2000) in which it was highlighted that there are complementary rather than competitive motives for

giving. In that survey, the respondents ascribed their actions and attitudes of giving to religious faith (98% of the respondents), human compassion (98% of the respondents), social responsibility (87% of the respondents) and civic duty (84% of the respondents).

Now, we discuss the problems people identified which they usually face in their charitable giving. Lack of trust in finding the right targets and how they will spend it are cited as the most potent problems as can be seen from Table 7. Other problems include lack of sizable and impactful amount, inability to verify causes and activities of charities and difficulty of ensuring privacy.

**Table 7: Problems Faced in Charitable Giving**

Problems Faced in Charitable Giving	SD	D	N	A	SA
Difficult to trust which people are more deserving.	5.52	12.47	14.87	43.65	22.30
Difficult to assess how the charity will be spent.	6.47	13.43	22.78	39.09	14.87
Difficult to avoid privacy and requests in future.	5.52	14.39	33.09	31.65	11.99
Difficult to give sizable and impactful amount.	6.00	12.47	25.66	40.29	12.47
Difficult to verify causes and activities of charities.	6.71	14.87	29.50	31.41	13.91

Can the organized charities help in overcoming these problems? We ask respondents on their perceived effectiveness of organized charities. From Table 8, we find that more than two-thirds of the respondents agreed that the organized charities can be efficient social intermediaries by reducing time, ensuring privacy, enhancing impact, pooling effectively from diverse areas and reaching the right targets. The analysis of problems faced in charitable giving and the perceived effectiveness of organized charities suggests that there is an inclination to use social intermediaries who can transparently and efficiently mobilize charity funds.

**Table 8: Perception of Effectiveness of Organized Charities**

Perceived Effectiveness of Organized Charities	SD	D	N	A	SA
Reduce search time to identify the needy persons.	4.08	6.00	20.86	47.00	19.42
Ensure privacy of donor to avoid personal contact.	2.88	6.71	18.23	48.44	21.58
Have more impact on the charitable cause.	2.88	6.71	23.26	45.56	18.47
Ability to pool funds from diverse areas.	2.16	3.84	16.07	50.60	23.74
Reach right targets with effective screening.	4.08	5.52	24.94	41.97	20.38

We also ask the respondents to identify the credibility factors for organized charities. Respondents either agreed or strongly agreed that periodic reporting (79.61% of the respondents), physical presence (78.17% of the respondents), registration (75.06% of the respondents), reputation (70.5% of the respondents) and using banking channels (49.88% of the respondents) are the important credibility factors which can strengthen the trust and confidence of people in organized charities.

We also ask the respondents to identify the potentially more effective ways of fund raising campaigns. Respondents either agreed or strongly agreed that online and social media (48.68% of the respondents), electronic media (45.32% of the respondents), celebrity endorsement and appeal (35.25%), field campaigns on important traffic junctions (32.85% of the respondents) and door to door visits by official representatives (24.7% of the respondents) are the potentially more useful strategies to effectively solicit charitable giving.

Lastly, we asked the respondents to rank their preference to contribute in 9 different causes. The scoring is done based on the rank assigned by each respondent. If a cause is given a rank 1 by a respondent, 9 score is awarded to that cause and if a cause is given a rank 9, 1 score is awarded to that cause and so on. The causes in the order of the highest to the lowest ranked are food, disaster relief, health, orphanages, women protection, Madarsa, old homes, rehabilitation of drug addicts and secular schools. Most essential elements of life like food and health are given more preference. Disaster relief also provides people an opportunity to save lives from disasters like floods and earthquakes. Social protection institutions such as orphanages are ranked above women protection, old homes and rehabilitation of drug addicts. In education, Madarsa are ranked above secular schools. It might be because of the religious inclination and also because Madarsa unlike secular schools provide accommodation and are not funded by the state; whereas, the government has made it compulsory that primary schooling in public schools shall be free for all.

Finally, we discuss the results of multiple regression analysis which explores the determinants of charitable giving. In Table 9, we present the results from different methods including the parameter coefficients, standard errors, R-square and the level of significance. The results are robust across methods and are quite plausible. We find a positive and significant marginal propensity to spend in charity against marginal change in savings. Age affects charitable giving positively and significantly, which is consistent with theory and other empirical studies. Although sex difference is statistically insignificant, we observe that the interaction term of marital status and sex is significant which implies that married males spend less than married females. It is plausible since the bride usually gets jewelry, cash gifts from relatives and *Mehr* (compulsory payment from the groom in Islamic tradition). Thus, the married females often have to spend more in *Zakat* on their savings and wealth.

The price of giving can be understood as what it costs the donor to give the target individual or organization an additional sum of money (Vesterlund, 2006). Quite understandably, we observe that increase in the intensity of problems in charitable giving negatively affects charity payments. In addition to that, we add an interaction term to see the effect of problems in charitable giving for respondents with above-

average savings on their charitable giving. We find that problems in charitable giving for respondents with above average savings affect charitable giving even more negatively. This shows that people who can potentially pay larger sums to charity, they face greater obstacles which dampen their charitable giving.

**Table 9: Regression Results for Determinants of Charitable Giving**

Model / Variables	(1) IV 2SLS	(2) IV LIML	(3) IV GMM	(4) IV IGMM	(5) IV GMM VCE (Robust)	(6) IV GMM Cluster (Location)
DV: Charity						
Savings	0.0969*** (13.66)	0.0969*** (13.66)	0.0969*** (6.407)	0.0969*** (6.407)	0.0969*** (6.407)	0.0969*** (5.208)
Age	2,198*** (4.719)	2,198*** (4.719)	2,198*** (3.410)	2,198*** (3.410)	2,198*** (3.410)	2,198*** (5.350)
Sex	455.2 (0.357)	455.2 (0.357)	455.2 (0.376)	455.2 (0.376)	455.2 (0.376)	455.2 (0.616)
Marital*Sex	-2,167** (-2.155)	-2,167** (-2.155)	-2,167** (-2.163)	-2,167** (-2.163)	-2,167** (-2.163)	-2,167*** (-5.182)
PCG	-1,080* (-1.682)	-1,080* (-1.682)	-1,080 (-1.610)	-1,080 (-1.610)	-1,080 (-1.610)	-1,080** (-2.329)
Savings*PCG	-2,453* (-1.893)	-2,453* (-1.893)	-2,453 (-1.369)	-2,453 (-1.369)	-2,453 (-1.369)	-2,453** (-2.009)
Constant	-2,869* (-1.959)	-2,869* (-1.959)	-2,869** (-1.985)	-2,869** (-1.985)	-2,869** (-1.985)	-2,869*** (-2.721)
Observations	417	417	417	417	417	417
R-squared	0.318	0.318	0.318	0.318	0.318	0.318

Z-statistics in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## Conclusions and Recommendations

In this study, we explored the private charitable giving behaviour using data from a survey of the respondents in Karachi. We discovered that the institution of family is vital for the deployment of charitable funds as well as in searching the right targets for charitable giving. We found that cash based giving is more frequent along with foodstuff and durable goods. The results revealed that religious motive is the strongest influencer of charitable giving and it goes hand in hand with humanistic motive without any conflict.

From a practical and policy perspective, our results highlight conduciveness for Islamic social finance institution of *Waqf* to provide an effective basis of channelizing charitable funds. The analysis of problems faced in charitable giving and the perceived effectiveness of organized charities seems to suggest that there is an inclination to use social intermediaries who can transparently and efficiently mobilize charitable giving. Given the high prevalence of cash based giving and higher trust deficit between people and the public *Zakat* agency, the Islamic institution of cash *Waqf* can be suitable for effectively channelizing the charitable giving in the form of cash. The current legal

environment is favorable since charitable organizations are exempted from income tax. Since we have found that a great majority of the respondents pay in cash, then cash *Waqf* can be conducive in such a scenario by capitalizing on a consistent source of funds and giving them permanency in terms of the effects and impacts.

Below, we list some recommendations for increasing the effectiveness of the institution of *Waqf* in the contemporary application in the socio-economic milieu of Pakistan.

Charitable spending can be seasonal and impulsive. Hence, there is a need for accessible avenues to match targets and mobilize resources efficiently through organized institutions such as *Waqf*. Soliciting charitable contributions using online medium in cash *Waqf* can be more efficient and bring more participation, especially in the cases of emergency (Yusof et al., 2014). Our results also show the high perceived effectiveness of this medium. It can also help in capitalizing on short term impulsive charitable spending on special occasions and events.

In soliciting charitable contributions to *Waqf*, it is effective to market the positive externalities as suggested by Andreoni (1995). For example, Shaukat Khanam Cancer Hospital in fund raising campaigns highlighted that how much bricks a given contribution could provide for the construction of the building. Also, Al-Khidmat Foundation highlights that how much a given contribution is required to finance studies of a particular number of students in their schools. This type of marketing strategies can create a sense of achievement and fulfilment for the respondents as well.

It is important to provide tax incentives to engage more people and corporations towards establishing *Waqf*. Corporations who engage in corporate philanthropy can effectively establish corporate *Waqf*. This will also help their social marketing. The contributions to these *Waqf* by individual and corporate donors shall be made eligible for tax credit like it is the case with other recognized institutions in Section 61 of the Income Tax Ordinance 2001. If a donor dedicates real estate to an existing *Waqf* or to establish a new *Waqf*, the taxes related to registration and transfer of property shall be exempted.

It is vital to create social awareness for creating right kind of *Waqf* at the right place. Given the preference ranking of the respondents and based on social needs, targeted efforts shall be made in sectors and segments of more social priority, such as food security, literacy and basic health. Some educational institutes and hospitals which receive donations also provide an opportunity for voluntary teaching and running free medical camps. Establishing such institutes independently, as *Waqf* or from *Waqf* capital can also offer the opportunity of volunteering. This will be especially attractive and conducive for the 50 million youth in the age-group of 15-29 in Pakistan.

In past, the abrupt nationalization of *Awqaf* dented the confidence of people in the country (Malik, 1990). Thus, it is vital to ensure the independent status and operations of *Waqf*. Providing an enabling environment to the non-profit sector will help in scaling up the efforts to meet the under development challenges and making swift progress towards achieving the targets of Sustainable Development Goals (SDG) by 2030 in the area of poverty, inequality, quality education, basic health and providing decent work.

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