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# **Drivers and Inhibitors of Online Donations to Nonprofit Organizations**

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## **ABSTRACT**

*Despite the overall economic and social importance of nonprofit organizations and the plethora of scholarly literature on electronic commerce, few authors have combined these two fields to tackle the issue of online donations to nonprofit organizations. In this paper we first present a framework that illustrates several antecedents of online donations. After discussing the descriptive results from two surveys, we compare different user groups regarding their attitudes toward online donations. The results suggest that our scales exhibit sufficient reliability and validity and that the two groups differ significantly. Furthermore, we conduct a regression analysis with the cause, trust in the organization, trust in the Internet, and privacy as independent variables and the people's intention to donate online as the dependent variable. Trust in the Internet turns out to be by far the most important influencing factor, exhibiting a significant influence on people's attitude toward donating to nonprofit organizations online.*

## **INTRODUCTION**

Nonprofit organizations seek to effect positive change for the public good. In order for them to fulfill their mission they are dependent on donations from the general public (Guy & Patton, 1989). Over the past decade, electronic-commerce applications have become an indispensable communication channel, supporting the work of nonprofit organizations in two ways. First, e-commerce helps them to disseminate information and communicate with audiences more rapidly. Second, the Internet functions as a fundraising channel, enabling nonprofit organizations to solicit donations online, which reduces their expenses for attracting donations. Offering information, interaction and fundraising capabilities to nonprofits, the Internet has opened up unparalleled opportunities for nonprofits to further their causes and enter into relationships with potential, current, and lapsed donors (MacKay, Parent, & Gemino, 2004; Oly Ndubisi, 2007; Treiblmaier et. al., 2004).

However, nonprofits typically have limited skills, time and budget available to develop and maintain sophisticated Web sites (Hooper & Stobart, 2003). Loiacono and McCoy (2004) have shown that only a small amount of nonprofit websites can be accessed by people with disabilities. Since accessibility is one important indicator of how up-to-date a website is, this suggests that many nonprofit websites lag behind current standards of modern web development and design and need to acquire technological expertise to exploit such opportunities (Te'eni & Young, 2003). Nonprofit websites have also been found to lag behind commercial websites in terms of relational constructs that facilitate use of the site as well as navigation, interaction, and customization on the site (Sargeant, West, & Jay, 2007). A large proportion of nonprofits use third parties to process their donations, as they do not have the required expertise in-house (Waters, 2007). Nonprofits therefore also face the problem that the expenses associated with building and maintaining websites are perceived as a waste of their members' contributions (Wenham, Stephens, & Hardy, 2003). Another challenge in online fundraising is the Web's nature as a pull medium, which entails that site traffic is a determinant of the volume of donations collected online. Even regular donors of a particular nonprofit organization may never visit its website, unless it offers vital information, such as health and medical information (Sargeant, 2001). Despite these challenges, more and more nonprofits compete for donations online.

In this study we seek to identify factors fostering or hindering people's propensity to donate online. We first review the relevant literature and present a framework identifying the antecedents of online fundraising, before we introduce the research design. We then go on to present and discuss the findings of a survey conducted among donors and non-donors, including a student convenience sample serving as a control group. Since students in general are more technologically savvy than the average citizen and are supposed to earn an above-average income in the future, they impose an attractive target group for many NPOs that offer online donations. In order to assess how certain factors shape donors' attributes toward giving online, we also conduct a regression analysis. Finally, we discuss the results and identify avenues for future research.

## **PREVIOUS RESEARCH**

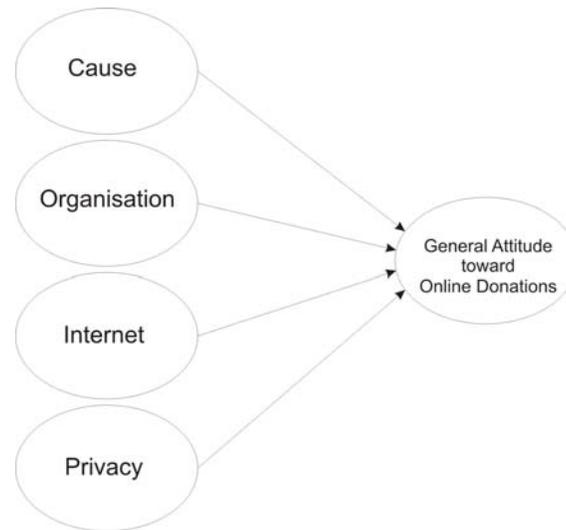
In this section we review the literature on factors influencing charitable giving and altruism with a view to identifying factors potentially influencing people's decisions to donate money to a charitable organization. Previous research has shown that people's giving behavior is affected by demographic factors such as age (Nichols, 1992), gender (Hall, 2004), income (Schlegelmilch, Love, & Diamantopoulos, 1997), education (Edmundson, 1986), marital status (Mesch, Rooney, Steinberg, & Denton, 2006) and religious beliefs (Jackson, 2001). Another reason why people donate is that they expect to receive material or immaterial benefits in return for their donations (Andreasen & Kotler, 2003). Immaterial benefits derived from donating to a charitable organization include feelings of higher self-esteem and public recognition or relief from guilt (Amos, 1982; Dawson, 1988). A material benefit obtained from donations could be the tax deductibility of the amount donated (Lankford & Wycoff, 1991).

People may also be motivated to donate by intrinsic factors, which stem from the fundamental human desire to help those in need (Guy & Patton, 1989). These intrinsic motivating factors include feelings such as guilt, pity, empathy, sympathy or fear (Shelley & Polonsky, 2002). However, this need is moderated by people's varying philanthropic disposition, which is either innate or acquired (Brady, Noble, Utter, & Smith, 2002). Further, potential donors are likely to make donations if both their attitudes toward helping and their attitudes toward charitable organizations in general are positive (Webb, Green, & Brashear, 2000).

Previous research also indicates that the way in which an organization designs its fundraising campaign has an impact on the amount of donations it receives (Bennett & Barkensjo, 2005). People have been found to give more, if they are approached in a way they consider appropriate (Frey & Meier, 2004). In particular, the circumstances in which people donate have a bearing on their level of continued support for an organization (Hibbert & Horne, 1996). Desmet and Feinberg (2003) report that suggesting a set of amounts to potential donors when making donation requests has an impact on their donor behavior, albeit a smaller one than personal characteristics. Also, the number of times an individual is approached by an organization is an influential variable (Schlegelmilch, Love, & Diamantopoulos, 1997). While previous research has paid attention to circumstances such as donation appeals and campaigns, the Internet as a fundraising channel has received comparatively little attention. Therefore, in this paper we seek to fill this gap by concentrating on the circumstances affecting people's decision to donate online.

## **A FRAMEWORK FOR ONLINE DONOR BEHAVIOR**

In our research we chose not to concentrate on demographic or socio-demographic variables, as has been done frequently in previous studies. Rather, we add to previous literature by concentrating on those factors which exist independent from the individual, i.e. the cause for which donations are solicited, the organization collecting the money, and the Internet as the transaction medium. Additionally, we include privacy as an attitudinal variable to capture users' general attitudes toward their personal data (see Figure 1).

**Figure 1: A Framework of Online Donor Behavior.**

All of the factors outlined above pose serious challenges to nonprofits seeking to raise funds online, since donors may end their relationship with the organization receiving their money at any time without any serious effects for themselves, if they are not comfortable with the cause the organization supports, the way it is managed, or they way it handles online donations. The framework presented in Figure 1 combines extrinsic factors assumed to influence people's intention to donate online. These factors pertain to the cause for which donations are solicited, the organizations asking for the donations, and the Internet as the transaction medium. Since intrinsic, motivating factors have been dealt with exhaustively in the literature, they were not considered for this framework. In this paper, we argue that people's involvement with the cause, their trust in the organization and the Internet, as well as their attitudes toward online privacy will have a bearing on their intention to donate online, which we hypothesize to influence their attitude toward donating online. Our six hypotheses are explained in more detail below.

It has been argued that people's past experience with a particular cause as well as their attitude toward the cause's worth determine their propensity to give to this particular cause (Shelly & Polonsky, 2002). Accordingly, we argue that the donors' attitude toward the cause they donate their money to will influence their decision to give money online.

*Hypothesis 1. There is a positive relationship between a specific cause and people's intention to donate online.*

It has been suggested that donations are related to people's involvement in the cause (Grace & Griffin, 2006), which is defined as "the perceived relevance of the object based on inherent needs, values and interests" (Zaichkowsky, 1985, p. 342). Nonprofits often collect money for specific projects which are focused on a certain geographical area, for example, when natural disasters happen. Typically, this also goes hand in hand with substantial media coverage. If disasters happen in close proximity to one's home, the impact of such disasters is very visible and thus affects potential donors more than disasters happening in other parts of the world. We therefore argue that donors are more willing to support causes in close proximity to their homes or at least projects in their home countries rather than projects carried out elsewhere.

*Hypothesis 2. There is a positive relationship between the proximity of the location of the project and people's intention to donate online.*

The organization receiving the donations also plays a crucial role in people's propensity to give. First, emotional attachment to a particular organization may be a factor that motivates them to donate to this organization (Brady et al., 2002). Focusing on donor perceptions of the recipient organization, Sargeant et al. (2006) found that trust in the receiving organization determines people's commitment to it, which again stimulates giving behavior. Their research

has also shown that people's perception of the organization's fundraising communication as well as the performance of the organization determine the level of trust donors have in the organization, while their commitment is dependent on the emotional and familial utility donations provide them with. This is in line with Tan and Sutherland's (2004) argument that one dimension of consumer trust in electronic commerce is interpersonal trust, which they define as consumers' trust in the competence and integrity of the electronic vendor.

*Hypothesis 3. There is a positive relationship between people's trust in the organization and their intention to donate online.*

Although the speed and convenience of payment transactions over the Internet may seem appealing to donors, the nature of the medium has several potentially negative ramifications that may deter them from donating online. Users' fear of technology as well as their Internet experience determine their likelihood of using the Internet for commercial transactions (Tan & Sutherland, 2004). Thus, even if potential donors visit a nonprofit's website, they may not donate online if they perceive the Internet as an unreliable and untrustworthy payment channel. Security concerns influence people's propensity to engage in commercial online transactions (Bidgoli, 2003) and thus may also influence their propensity to donate online (Pollach, Treiblmaier, & Floh, 2005). Further, users may perceive a website as cognitively complex and may abort the donation process, even if they had intended to donate online.

*Hypothesis 4. There is a positive relationship between people's trust in the Internet and their intention to donate online.*

Given the ease with which data can be collected on the Internet and stored without any additional efforts, it is not surprising that many Internet users are reluctant to provide personal data over the Internet (Lippert & Swiercz, 2007). Previous research has shown that privacy is one of the major factors inhibiting financial transactions offline (Culnan, 1993) and online (Phelps, D'Souza, & Nowak, 2001; Dinev & Hart, 2006). In the case of online donations Internet users may even be afraid of receiving unsolicited donation requests from the organization in the future.

*Hypothesis 5. There is a positive relationship between the level of anonymity and people's intention to donate online.*

In addition to concerns about how their money will be spent by the organization, as discussed above, donors may be worried about how nonprofits treat their personal data. In general, Internet users have been found to fear privacy intrusions, e.g. when personally identifying data are collected about them and shared with third parties without their consent (Clarke, 1999). This issue is closely related to Hypothesis 5, but goes one step further and deals with donors' perceived knowledge about how nonprofits actually handle their data. We argue that those respondents who feel that they lack sufficient information about the further handling of their personal data are less likely to donate online.

*Hypothesis 6. There is a positive relationship between the perceived correct usage of personal data and people's intention to donate online.*

## RESEARCH DESIGN

In view of the scant attention previous research has paid to donor behavior online, this paper examines the factors fostering and inhibiting online donations. To determine how much influence these factors have on people's willingness to donate online, a survey was conducted focusing on factors pertaining to the cause, the organization, trust in the Internet, and general privacy concerns.

The Austrian Red Cross and the Austrian chapter of the World Wide Fund for Nature supported us by sending out a newsletter to their members including a link to an online questionnaire and asking recipients to complete the questionnaire. No incentive was given for filling out the questionnaire. A pretest, including qualitative interviews with Internet users and nonprofit experts, was carried out to ensure that all questions were comprehensible. The website hosting the questionnaire used sliders to generate a magnitude scale from 1 to 100 instead of the commonly used Likert-type scales to determine people's attitudes toward the constructs included in our framework. Slider scales have been shown to comprise a number of advantages, such as their ease of use and the avoidance of a central tendency (Treiblmaier, Pinterits, & Floh, 2004). A total of 100 questionnaires were filled out completely. To supplement this convenience sample, we conducted a second survey amongst students in order to be able to identify significant atti-

tudinal differences. For many NPOs, students constitute a major future target group, given their above-average level of education and future income.

The second survey resulted in 122 responses, increasing the total number of responses to 222. Before testing the hypotheses formulated above, we first seek to answer the following research questions:

- (1) *Are the members of the nonprofits aware of the opportunity to donate online?*
- (2) *Are those members of nonprofits who have had no previous knowledge of the opportunity to donate online willing to use the Internet for donations in the future?*
- (3) *Are there any attitudinal differences between students and nonprofit members?*

Question (1) looks at the success of the nonprofits' communication strategies, while question (2) is directed toward measuring the potential future success of making users aware of the opportunity to donate online. Differentiating between students and members of nonprofit organizations, question (3) takes into account whether there are significant differences between these two groups regarding their attitudes toward various aspects of online donations.

**RESULTS**

The respondents were 45.9% male and 54.1% female, with the majority being frequent Internet users who are online between 10 and 20 hours a week. More than half of the respondents were students, one quarter were white-collar employees and the remaining respondents were blue-collar workers, self-employed, retired or homemakers. Also, the overwhelming majority of respondents had completed high school.

**Table 1: Characteristics of Respondents (n=222).**

<i>Gender</i>		<i>Occupation</i>		<i>Internet Experience</i>	
Male	45.9%	White-collar	25.2%	Beginner	0.0%
Female	54.1%	Blue-collar	0.5%	Occasional User	9.9%
		Self-employed	5.0%	Frequent User	61.7%
		Homemaker	0.9%	Expert	28.4%
		Retired	2.3%		
		Student	56.3%		
		Other	9.8%		

<i>Age</i>		<i>Education</i>		<i>Frequency of Internet Use</i>	
13 –19 yrs	5.6 %	Some high school	1.0%	1-9 h/week	13.6%
20 – 29 yrs	62.0 %	High school grad.	70.6%	10-20h/week	49.5%
30 – 39 yrs	17.8%	College/Univ.	23.1%	20+ h/week	36.9%
40 – 49 yrs	10.8%	Other	5.4%		
50+	3.8%				

Note: Figures may not add up to 100% due to rounding differences.

We asked the subscribers of the two nonprofits' mailing lists, who regularly receive information from the NPOs, whether they had known that they had the possibility to donate online. Out of the 100 respondents, 96 returned usable answers. A total of 60 respondents indicated that they were informed about this possibility. Table 2 compares their current knowledge of the opportunity to donate online with their future intention to do so. It also shows the actual and the expected cell counts for a standard chi-square test of independence. A chi-square statistic of 19.83 with one degree of freedom (p value ≈ 0) indicates that significant differences between the cells exist. From the nonprofits' standpoint it is noteworthy that the number of users with no previous knowledge who indicate that they would donate in the future (11) is considerably lower than it would be in the case of equal distribution. This suggests that even if nonprofits successfully communicate the option of donating online to potential donors, the response from the users may be less than they expect. Put differently, those users who are more technologically savvy and therefore more inclined to give money online already know about this opportunity.

**Table 2: Knowledge and Intention of Donating Online (n = 96).**

		In the future, I will donate online for XY		
		Yes	No	Total
<b>I knew that XY accepts online donations</b>	Yes	46 (35.6)	14 (24.4)	60
	No	11 (21.4)	25 (14.6)	36
	Total	57	39	96

Note: Numbers in brackets denote the expected values in the case of equal distribution.

In a next step we tested the scales we used. Since various items have been newly developed or have been adapted and substantially modified from previous literature, it is necessary to treat them just like newly developed scales (cf. Kettinger & Lee, 1999). The means, standard deviation and the correlations between the constructs can be found in Table 3. With the exception of one scale (trust in the organization), all scales exceed the minimum level of reliability (0.7), which was proposed by Nunnally (1978) and is frequently used in scholarly papers. The respective factor loadings, which were gained by conducting an exploratory principal component analysis with Varimax rotation, can be found in the appendix. The Kaiser-Meyer-Olkin measure of sampling adequacy (MSA), which indicates how well the data set is suited for factor analysis was .71, which is referred to as 'middling' by Kaiser and Rice (1974).

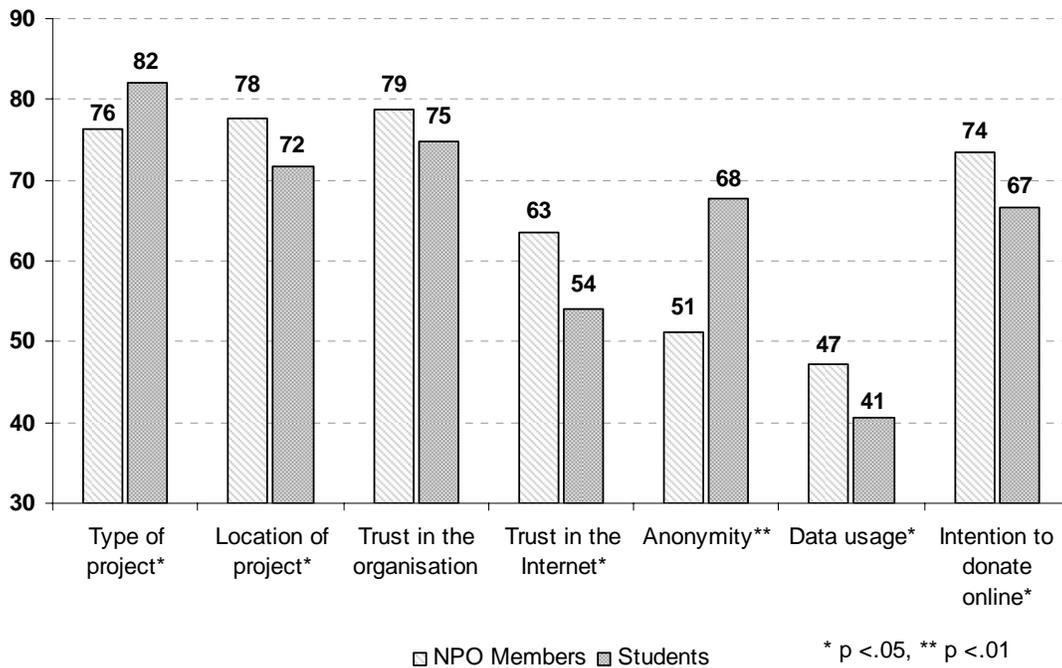
**Table 3: Descriptive Statistics, Reliability and Correlations (n = 222).**

	Mean	SD	$\alpha$	1	2	3	4	5	6
1. Type of project	79.5	20.6	.73						
2. Location of project	74.4	19.2	.71	-.18**					
3. Trust in the organization	76.9	15.8	.55	-.02	-.01				
4. Trust in the Internet	58.3	29.5	.74	-.19**	.32	.12			
5. Anonymity	59.1	29.0	.88	-.04	.01	-.01	.12		
6. Data Usage	44.0	20.0	.92	-.17*	.09	-.19**	.12	-.12	
7. Intention to donate online	69.7	21.6	.83	-.14*	.30**	-.15*	.81**	.15*	.12

Note: Pearson Correlation, \*  $p < .05$ , \*\*  $p < .01$

In order to determine whether our scales can be used to discriminate between different user groups, we compared the responses of nonprofit members with our student responses. After applying a Levene test to account for the similarity of variances, we used a *t*-test to account for differences in means. As can be seen from Figure 2, students tend to value their anonymity as donors significantly higher than members of the nonprofits do ( $p < .01$ ). They also care more about the type of project for which they are donating and less about the location of the project ( $p < .05$ ). Furthermore, they have less trust in the Internet and in the proper use of the data ( $p < .05$ ). Accordingly, students exhibit a significantly lower intention to donate online than people who are members of nonprofits ( $p < .05$ ). No significant differences can be found regarding trust in the organization.

Figure 2: Comparison of Nonprofit Members and Students (n=222).



In Table 4 we present the results of the regression analysis. Since we expected correlations between the independent variables, we tested for the presence of multi-collinearity by estimating the variance inflation factor (VIF) for each independent variable. Our largest value for VIF was 1.169, which is far below the critical threshold of 10, which was proposed by Neter Kutner, and Wasserman (1990). We therefore conclude that multi-collinearity poses no problem for our model. As can be seen in Table 4, our model had a R<sup>2</sup> of .64 and a statistically significant F value (p < .01). Interestingly, only trust in the Internet is highly significant and accounts for most of the explained variance. All of the other variables are of minor importance. Therefore, all of our hypotheses can be rejected with the exception of H4, which postulates a positive relationship between trust in the Internet and the intention to donate online.

Table 4: Regression Analysis.

		Beta	T	Sig.
H1	1. Type of project	.049	1.045	.298
H2	2. Location of project	.053	1.098	.274
H3	3. Trust in the organization	.078	1.655	.100
H4**	4. Trust in the Internet	.755	15.393	.000
H5	5. Anonymity	.073	1.584	.115
H6	6. Data Usage	.059	1.240	.217
	R <sup>2</sup> : .64			
	F: 51.73			
	N: 222			

## CONCLUSIONS AND FURTHER RESEARCH

In this paper we have presented a framework to assess the importance of a number of external factors that may shape users' intention to donate online. We have used survey data to assess the reliability and validity of our scales and to present results that might be of interest to fundraising managers in nonprofit organizations.

As our research has shown, the majority of nonprofit members are already aware of the opportunity to donate online. A comparatively low proportion of those members who did not know about this opportunity are willing to donate online in the future. However, if this donation channel already exists, we recommend that nonprofits strongly point this out to their members either in personal communication or as part of their public fundraising campaigns. Their communication efforts targeted at their supporters should not only convince them of the cause that their donations support but, more importantly, of the convenience and security of online donations in order to turn offline donors into online donors. This saves costs and nonprofits may even be able to benefit financially from the spontaneity associated with the speed of online transactions.

Further, the results of a regression analysis have shown that trust in the Internet is by far the most important factor to explain users' intention to donate online. Other factors, such as the cause, the location of the project, trust in the organization and the desire to remain anonymous turn out to be comparatively unimportant. Given the manifold endeavors that have been undertaken during the past years in order to increase users' trust in Internet payment systems, this result is somehow surprising. Apparently, this is the variable which is the hardest to influence on the part of nonprofits. However, there are various strategies to point out to users that their data is submitted over secure connections. In particular, posting clearly worded, easy to understand privacy policies (Pollach, 2005; Ryker et al., 2005; Meinert et al., 2006) or displaying privacy seals (Kimery & McCord, 2006) may help build trust among potential donors. This is especially important for users that are not Internet-savvy and may not understand complicated technical terms. However, to read a site's privacy policy, potential donors must be enticed to visit the site first. In addition to comprehensible privacy policies, companies may offer more than one payment system to avoid the situation that donors refrain from transmitting money, only because they are not willing to divulge credit card numbers. Other methods include, for example, prepaid electronic money or bank transfers. One possible explanation for the relative unimportance of the other factors might be the influence of the NPO on user attitudes. In many cases, third-party control of nonprofits in the form of seals of approval communicates trustworthiness to donors, signifying that their money is used for the purposes it was collected for and that their personal data is protected. Thus, this blurs the relation between other antecedents and the general attitude toward donating online. Further research is needed to investigate this relation.

Overall, the study suggests that more research and analysis is needed to improve the scales in order to be able to develop a more elaborate model of online fundraising. Furthermore, we have shown that our scales are able to discern among different user groups. Significant differences between the student responses and the nonprofit-member responses have been found concerning their attitudes toward donating online. Although the survey has yielded useful results, the findings are clearly limited in that they include only Austrian respondents, who may not be representative of donors in other countries. Therefore, we explicitly recommend follow-up studies in other countries using different samples. Further research avenues include the combination of our model, which includes various external factors, with the extant literature on intrinsic motives for donations and to assess the importance of demographic and socio-economic variables. The inclusion of inhibiting variables might lead to the detection of those user groups who refrain from donating online for fear of online fraud or privacy violations. Additionally, the effect of campaigns on the intention to donate online might be of interest to companies which utilize the Internet for online donations.

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APPENDIX

Questionnaire Items and Factor Loadings

	Components					
	1	2	3	4	5	6
<b>Type of project</b>						
If I donate to support a nonprofit organization, I don't care for which project they use my money*				-.828		
I prefer donating for a particular project to making donations that are not earmarked				.835		
<b>Location of project</b>						
It is important to me that my donation supports a good cause in Austria*					-.724	
I donate to nonprofit organizations even if they use these funds for projects abroad					.808	
<b>Trust in the Organization</b> (based on Torkzadeh et al., 2002; Pavlou et al. 2004)						
It is important to me that external supervisory bodies audit the organization's use of donations		.480				-.437
I only donate to nonprofit organizations if they have a proven track record		.726				
How important are the following criteria to you when donating online: The organization is well known		.751				
How important are the following criteria to you when donating online: The organization has a good reputation		.871				
<b>Trust in the Internet</b> (based on Salisbury et al., 2001)						
In my opinion the Internet is a secure medium for transmitting payment details	.752					
It is easier for me to donate via the Internet than remitting money via bank transfer	.787					
<b>Anonymity</b>						
I prefer to remain anonymous when donating online			.926			
I prefer to remain anonymous when making donations of any kind			.932			
<b>Data Usage</b> (based on Graeff et al., 2002)						
I believe that legal regulations pertaining to the use of credit card information are sufficient						.719
In my opinion donors are well informed how nonprofit organizations use the data they collect about their donors						.727
<b>Attitude toward Donating Online</b> (based on Treiblmaier et al., 2004; Sawyer et al., 1991)						
Donating online is generally problematic – unproblematic	.853					
Donating online is generally not secure – secure	.819					
Donating online generally takes a lot of time – saves time	.682					
Donating online is generally inconvenient – convenient	.716					

Reverse Coded

Note: We used a 100-point Slider scale with possible responses ranging from Strongly Disagree (1) to Strongly Agree (100). Factor loadings lower than .40 have been excluded for better readability. The survey was originally conducted in German and translated into English by the authors. Method: Principal Component Analysis with Varimax Rotation

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