

EXPLORING PRIVATE GIVING BEHAVIOUR TOWARDS ITS INCREASED & EFFICIENT MOBILIZATION IN KARACHI

**Research Workshop on Revival of Waqf for Socio Economic
Development (ROWSED 2017)**
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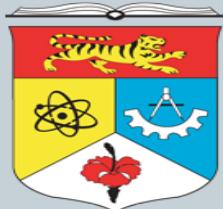
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Presentation Outline



- Introduction
- Research Issues
- Problem Statement
- Significance of the Study
- Brief Summary of Literature
- Research Methodology
- Results & Discussion
- Conclusion & Recommendations

Introduction



- Consumption Smoothing for Endowment Deficient Households.
 - Poor people face income and liquidity constraints.
 - 1.5% adults borrow in Pakistan (GFDR, 2010).
 - Poverty incidence is high.
 - 18% Urban; 46% Rural (SDPI, 2012). Estimated ~50 million.
 - Limited public social security programs.
 - Credit available to only the upper middle class urban dwellers.
 - Microfinance is on the fringes.

Key Indicators	2010	2011	2012	2013	2014
Number of Borrowers (million)	1.6	1.7	2.0	2.4	2.8
Gross Loan Portfolio (bln Rs.)	20.2	24.8	33.1	46.6	61.1
Active Women Borrowers	0.8	0.9	1.3	1.4	1.6
Branches	1,405	1,550	1,460	1,606	1,747

Source: Pakistan Microfinance Network

Research Issues



- Who Fills the Void? **Answer – Private Giving.**
- Even in private giving, **the size of corporate philanthropy is insignificant as compared to individual giving** (\$ 46 mln vs. \$2.8 bln).
- Private giving in Sindh **\$0.65 billion** (PCP, 2013).
- Private giving in Punjab **\$1 billion** in Punjab (PCP, 2010).
- Giving by Pakistani Diaspora in the USA **\$1 billion+** (PCP, 2005).
- Giving by Pakistanis is **four times the amount of foreign aid** (Alam, 2010).

Problem Statement



Given the importance of private giving as support institution to contribute towards socio-economic mobility and income and consumption smoothing of poor, explore the private giving behaviour towards increased and efficient mobilization.

Significance of the Study



- **Scarce literature exists on studying the private giving behaviour in Pakistan even though it is a critical source of emergency funds and income support.**
- Important to understand the **motives of giving, ways of giving and obstacles in giving** to help in **effective policy intervention for achieving scale, impact and efficiency.**
- It is critical to investigate the **perceived effectiveness of organized charities** in carrying out the philanthropic operations.
- It is vital to know the **private giving patterns** in order to capitalize on the **religious and humanistic motives of giving** for effective redistribution to the poor.

Brief Summary of Literature



Socio-economic & Demographic Attributes and Private Giving	Evidence in Empirical Literature
Income	Jencks (1987); Kitchen & Dalton (1990).
Education	Schlegelmilch & Tynan (1989); Harvey (1990); Schlegelmilch et al. (1997); Hamdani et al. (2004); Noor et al. (2015).
Gender Differences Exist	Jones & Posnett (1991); Caf (2010).
Gender Differences Do not Exist	Piliavin & Charng (1990); Guy & Patton (1993); Awan & Hameed (2014).
Age Affects	Hamdani et al. (2004); Noor et al. (2015).
Age Does Not Affect	Awan & Hameed (2014); Noor et al. (2015).
Household Size Reduces Donation	Hamdani et al. (2004).

Brief Summary of Literature



- **Neoclassical Approach to Explain Pro-Social Behaviour**
- Warm-Glow effect (Andreoni, 1989)
- Fame and ego-satisfaction (Andreoni, 1989)
- Improve one's own social experience and relations (Andreoni, 1989).
- Moral satisfaction (Crumpler & Grossman, 2008)
- Reluctant altruism due to peer pressure (DellaVigna, et al 2009)
- Redeem image; avoid the guilt of saying no (Andreoni & Bernheim, 2009).

Research Methodology: Model



$$C = \beta_0 + \beta_1 \text{Savings} + \beta_2 \text{Age} + \beta_3 \text{Sex} + \beta_4 \text{Mar}^* \text{Sex} + \beta_5 \text{PCG} + \beta_6 \text{Sav}^* \text{PCG} + \mu$$

- C represents charity spending.
- $\text{Mar}^* \text{Sex}$ represents an interaction term of marital status and sex ($\text{Mar}=1$ for male and likewise, $\text{Sex}=1$ for male).
- PCG is an index variable constructed through EFA which indicates intensity of problems faced in charitable giving. It can represent cost to charitable giving.
- $\text{PCG}^* \text{Sav}$ represents an interaction term of above average savings and problems in charitable giving (PCG)
- Income is used as instrument for savings.

Research Methodology: Hypothesis



Research Methodology: Hypotheses Development

$$C = \beta_0 + \beta_1 \text{Savings} + \beta_2 \text{Age} + \beta_3 \text{Sex} + \beta_4 \text{Mar}^* \text{Sex} + \beta_5 \text{PCG} + \beta_6 \text{Sav}^* \text{PCG} + \mu$$

Hypotheses	Criteria
H1: Increase in charity is positively associated with savings.	$B_1 > 0$
H2: Old people pay more to charity.	$B_2 > 0$
H3: Males pay more to charity.	$B_3 > 0$
H4: Married females pay more to charity.	$B_4 < 0$
H5: Greater problems faced in charity lead to less charity.	$B_5 < 0$
H6: Greater problems faced in charity affect high savers more.	$B_6 < 0$

Research Methodology: Methods



Research Methodology: Method of Analysis

- Non-parametric tools for analysis of association between variables
 - Pearson's & Likelihood-Ratio Chi-square.
 - Goodman and Kruskal's Gamma.
 - Kendall's Tau.
 - Cramer's V.
 - Fisher's Exact Test.
- Exploratory Factor Analysis (EFA)
 - Principal Factor.
 - Iterated Principal Factor.
 - Maximum Likelihood Factor.
- Regression
 - IV - GMM

Results and Discussion

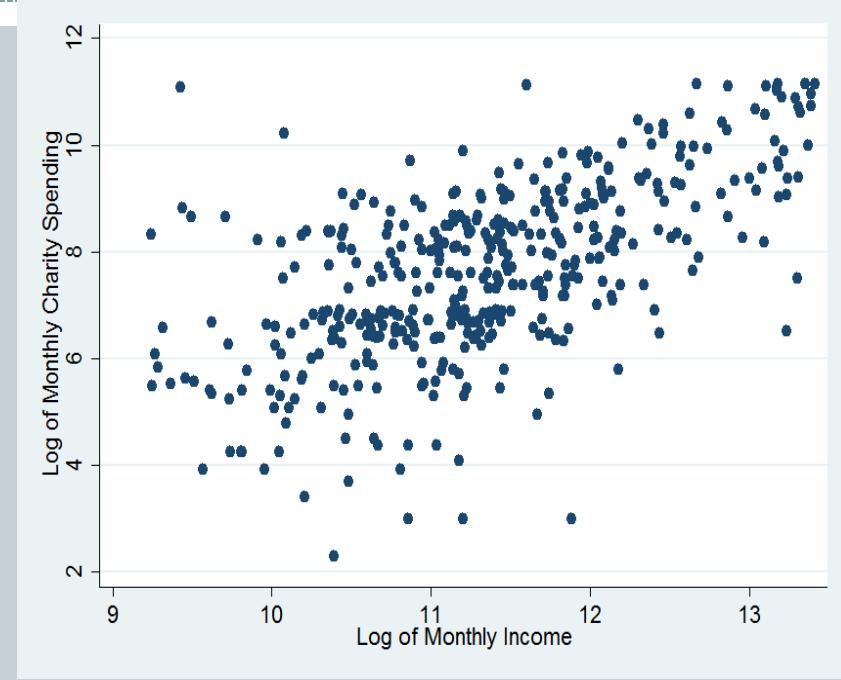


Figure 1a: Log Charity on Log Income

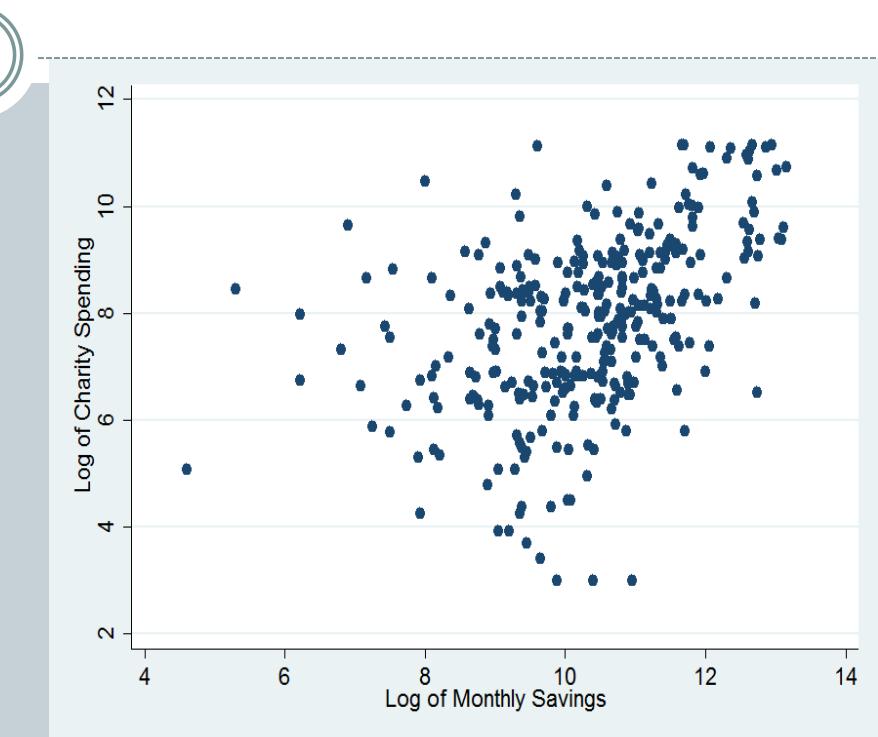


Figure 1b: Log Charity on Log Savings

- Marginal propensity of charity with respect to income is 5.9%.
- Marginal propensity of charity with respect to savings is 7.4%.

Results and Discussion



- Mean charitable giving is higher for higher income and savings range.
- We will explain the heterogeneity by including more factors in multiple regression analysis later on.

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

Charity, Income and Savings

Results and Discussion



- *Zakat* makes up a major portion of total charitable giving.
- However, people are willing to pay beyond *Zakat*.
- More than 67% respondents pay *Sadqa-e-Nafila* (voluntary charity).

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%
<i>Sadqat-ul-Fitr</i>	17.27%	43.41%	19.66%	6.00%	5.76%	7.19%
<i>Sadqa-e-Nafila</i>	22.78%	24.46%	17.51%	13.67%	10.07%	9.35%

Religious Charitable Giving Break-up

Results and Discussion



- ~67% of the respondents pay to any needy persons, even if they are strangers. Primary motivation is not direct need of reciprocation.
- More than 50% pay to their relatives or close circle of friends.
- Mosques, religious schools and shrines are the most frequently chosen institutions.

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, Madrasah 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

Beneficiaries of Charity

Results and Discussion



- Almost everyone uses the cash medium for charitable giving.
- Clothes and footwear are frequently used in charity-in-kind as compared to consumer durables.
- Foodstuff is frequently used for charity-in-kind given perishable nature, low cost of provision and the general high level of food deprivation in the city.

Charity Mode	Percent
Cash.	99.76
Clothes and footwear.	54.44
Hides of 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

Charity Modes in Individual to Individual Giving

Results and Discussion



- 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).
 - Muharram (4% of the respondents).

Results and Discussion



- Around 74% of the respondents use referrals by family and friends. Institution of family and social networks are strong channels to source funds for poor and for donors to find right targets.
- 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).
 - Requests at home and workplace (45% of the respondents).

Results and Discussion



- Religious and humanistic motives play most crucial role as motivators.
- 82.02% either agree or strongly agree that they make charitable payments to fulfill religious responsibility. 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)
 - Feel a need to give back to people they belong to (85.34% of the respondents).
- Non-parametric tests confirm association between both religious and humanistic motives. They compliment and co-exist rather than conflict with each other.

Results and Discussion



Motives	SD	D	N	A	SA
Humanistic					
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
Religious					
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
Social					
Donate since my family and friends do.	26.14	24.22	23.98	15.59	6.24
Improve your social image in peers.	52.76	24.46	13.19	3.84	1.92
Conform to community norms; avoid isolation.	43.88	21.82	21.1	7.19	2.4

Motives of Charitable Giving

Results and Discussion



- Major problems identified are lack of trust in finding the right targets and how they will spend it.
- Other problems include lack of sizable and impactful amount, inability to verify causes and activities of charities and ensuring privacy.
- More than 67% respondents agreed that the organized charities can reduce time, ensuring privacy, enhancing impact, pooling effectively from diverse areas and reaching the right targets.

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 charities' activities.	6.71	14.87	29.50	31.41	13.91

Problems Faced in Charitable Giving

Results and Discussion



Credibility Factors for Organized Charities	Percent of Respondents Agree
Periodic reporting	79.61
Physical presence	78.17
Registration	75.06
Reputation	70.5
Using banking channels	49.88

Effective Fund Raising Campaigns for Organized Charities	Percent of Respondents Agree
Online and social media	48.68
Electronic media	45.32
Celebrity endorsement and appeal	35.25
Field campaigns on important traffic junctions	32.85
Door to door visits by official representatives	24.7

Results and Discussion



- 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.

Rank	Cause	Score
1	Food	2512
2	Disaster Relief	2324
3	Health	2310
4	Orphanages	2032
5	Women Protection	1766
6	Madrasah	1720
7	Old Homes	1651
8	Rehabilitate Addicts	1525
9	Secular Schools	1506

Results and Discussion: Model

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)

Results and Discussion: Model



- Positive marginal propensity to spend in charity against savings.
- Age affects charitable giving positively and significantly.
- Although sex difference is statistically insignificant, 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 spend more in *Zakat* on their savings and wealth.
- Increase in intensity of problems in charitable giving negatively affects charitable giving.
- Problems in charitable giving for respondents with above average savings affect charitable giving even more negatively.

Conclusions



- 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 alongwith foodstuff and durable goods.
- Religious motive is the strongest influencer of charitable giving and it goes hand in hand with humanistic motive without any conflict.
- There is inclination to use social intermediaries which can transparently and efficiently mobilize charitable giving.
- Given the high prevalence of cash giving, the Islamic institution of cash *Waqf* can be suitable for effectively channelizing the charitable giving.

Recommendations

- Charitable spending can be seasonal and impulsive. Need to match targets and mobilize resources efficiently.
- Soliciting charitable contributions using online medium in cash *Waqf* can be more efficient and bring more participation.
- In soliciting charitable contributions to *Waqf*, it is effective to market the positive externalities to create a sense of achievement.
- The contributions to *Waqf* shall be made eligible for tax credit like other recognized institutions in Section 61 of the Income Tax Act 2001.
- If a donor dedicates real estate to an existing *Waqf* or to establish a new *Waqf*, taxes related to registration and transfer shall be exempted.

Thank You



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