

The Impact of Reducing the Price of Giving on the Extent of Fundraising

by Non Profit Organizations in Israel

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Abstract

Private and government support to non-profit organizations has grown significantly in the past decades. Yet, we know very little about donors' response to changes in the price of giving. This paper analyzes the effect of a reduction in the price of giving on the income from contributions to non-profit organizations in Israel. The identification strategy relies on the comparison of non-profit organizations before and after obtaining a Certificate of Approval. The Certificate of Approval provides contributors with a tax credit of 35% of the amount of the donation and hence is expected to increase the amount of contributions, since it lowers the cost of the donation from 1 to 0.65. The effects of this reduction in the price of giving were analyzed by constructing a data base of financial reports for non-profit organizations during the period 1999–2002. The results of the empirical analysis show that the Certificate of Approval significantly increased the income from private contributions, while government support did not change. In addition a positive impact on lagged advertising and fundraising expenses was found, which is consistent with the anticipated increase in expenditure, as organizations receiving a Certificate of Approval invest more in publicity to reach potential donors.

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