

Will You Trust Me?: How Individual American Donors Respond to Informational Signals Regarding Local and Global Humanitarian Charities

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Abstract When making charitable donations, individuals would like to have some assurance that their resources will be used appropriately, but they do not necessarily have the time to research charities thoroughly. Charities have thus joined voluntary regulatory programs to signal trustworthiness and good governance. We conduct a survey experiment to explore if individual donors in the United States are more willing to give to a charity participating in a voluntary regulatory program. Because voluntary programs vary in their institutional design, we further test whether the provision of third-party auditing (to ensure that charities abide by program rules and obligations) enhances donor confidence in the voluntary program. Finally, we explore whether individuals seek to circumvent information problems by donating to local charities as opposed to overseas charities. We find that charity membership in a voluntary program does not influence people's willingness to donate significantly, but that location of operations is significant.

Résumé Les individus qui font des dons caritatifs souhaiteraient avoir la garantie que leurs ressources seront utilisées à bon escient, sans toutefois avoir le temps de mener une recherche approfondie sur les organismes de bienfaisance. Certains organismes se sont donc inscrits à des programmes réglementaires volontaires pour

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affirmer leur fiabilité et leur bonne gouvernance. Nous menons une enquête pour découvrir si les donateurs américains sont davantage prêts à faire des dons aux organismes participant à un programme réglementaire volontaire. Puisque ces programmes varient selon leur motif institutionnel, nous cherchons aussi à découvrir si la tenue d'un audit tiers (garantissant le respect des règles et obligations du programme par les organismes) rehausse la confiance des donateurs envers lesdits programmes. Nous tentons enfin de savoir si des individus essaient de contourner les problèmes d'information en faisant des dons à des organismes locaux plutôt qu'à des organismes étrangers. Nous découvrons que l'adhésion aux programmes volontaires n'influence pas la volonté des donateurs à faire des dons substantiels, mais que la localisation de l'exploitation est importante.

Zusammenfassung Personen, die wohltätige Spenden leisten, möchten sichergehen, dass ihre Ressourcen angemessen eingesetzt werden; doch haben sie nicht unbedingt die Zeit, sich genauestens über Wohltätigkeitsorganisationen zu informieren. Daher haben sich gemeinnützige Organisationen freiwilligen regulatorischen Programmen angeschlossen, um ihre Vertrauenswürdigkeit und verantwortungsbewusste Führung zu signalisieren. Im Rahmen einer Umfrage untersuchen wir, ob individuelle Spender in den USA eher bereit sind, an eine gemeinnützige Organisation zu spenden, die an einem freiwilligen regulatorischen Programm teilnimmt. Da freiwillige Programme in ihren institutionellen Konzepten voneinander abweichen, testen wir weiter, ob eine Bestimmung über eine Prüfung durch Dritte (zur Sicherstellung, dass die gemeinnützigen Organisationen die Regeln und Verpflichtungen im Rahmen des Programms einhalten) das Vertrauen der Spender in das freiwillige Programm stärkt. Abschließend untersuchen wir, ob Spender versuchen, Informationsprobleme zu umgehen, indem sie an Wohltätigkeitsorganisationen vor Ort spenden statt an Organisationen in Übersee. Wir kommen zu dem Ergebnis, dass sich eine Mitgliedschaft der gemeinnützigen Organisationen in einem freiwilligen Programm nicht bedeutend auf die Spendenbereitschaft auswirkt, der Standort der Organisation hingegen von Bedeutung ist.

Resumen Cuando realizan donaciones benéficas, a los individuos les gustaría tener alguna garantía de que sus recursos serán utilizados de manera apropiada, pero no disponen necesariamente de tiempo para investigar a las organizaciones benéficas de manera minuciosa. Por lo tanto, las organizaciones benéficas se han incorporado a programas reguladores para señalar la confianza y la buena gobernanza. Llevamos a cabo un experimento con encuesta para explorar si los donantes individuales en los Estados Unidos están más dispuestos a dar donativos a una organización benéfica que participa en un programa regulador voluntario. Dado que los programas voluntarios varían en su diseño institucional, pusimos a prueba también si la provisión de auditoría por parte de terceros (para garantizar que las organizaciones benéficas cumplen las reglas y obligaciones del programa) aumenta la confianza del donante en el programa voluntario. Finalmente, exploramos si los individuos tratan de eludir los problemas de información donando a organizaciones benéficas locales en contraposición a organizaciones benéficas internacionales. Encontramos que la afiliación a organizaciones benéficas en un programa voluntario no influye de

manera significativa en la disposición de la gente a donar, pero que el lugar de operaciones es significativo.

Keywords Voluntary regulation · Charitable donations · Survey experiments · Trust · NGO accountability · Information-based regulation

Introduction

Over the last decades, charitable organizations (also known as 501(c)(3) organizations in the United States) have been tasked to provide important services to vulnerable segments of society. Yet, charities have also been criticized for inappropriately using donated funds. Arguably, donors can garner information on charities by observing their activities. This is a low-cost option if donors reside in areas where charities are located or where they provide services. Donors can review the work of charities themselves, and/or rely on their social networks to provide such an assessment. Absent such geographical proximity, might new types of “assurance mechanisms” provide more confidence to donors about specific charities? Using a survey experiment, this paper explores how individual donors think about supporting a (fictitious) charity and how information on the quality of management provided by different assurance mechanisms influences their propensity to donate to this charity.

Information asymmetries between donors and charities are particularly relevant because public scandals have focused attention on charity mismanagement. Media exposés have generated negative reputational spillovers for the charitable sector (Greenlee et al. 2007; Gibelman and Gelman 2004; Fremont-Smith and Kosaras 2003; Padanyi and Gainer 2003). More broadly, the charity sector has expanded substantially in scale and scope during the past two decades, attracting illegitimate organizations alongside the principled ones. Low barriers to entry to the charity sector have accentuated the “contamination problem” (Ortmann and Schlesinger 2003). But the “mission drift” in the charity sector is not solely due to the entry of opportunistic organizations. Scholars note that pressures on charities to secure grant money forces even principled charities to deviate from their organizational missions (Cooley and Ron 2002). Well-intentioned charities can find themselves devoting excessive resources to marketing and overheads (Bowman 2006). In sum, there is no a priori reason for donors to trust that all charities will deploy resources to serve their organizational missions (O’Neill 2009). This trust deficit can have serious implications for charities, ranging from calls for new public regulations (Gilkeson 2006; Burger 2012) to declines in charitable giving (Bekkers 2010, but see Frumkin and Kim 2001).

Anticipating the trust deficit, well-managed charities might seek a mechanism to differentiate themselves from less reputable organizations. Voluntary self-regulatory programs have emerged as an important category of such assurance and signaling mechanisms. They can be viewed as collective mechanisms for creating and conveying a signal of trustworthiness (Tremblay-Boire et al. 2016; Gugerty and Prakash 2010; Sidel 2009, 2010). While popular in the for-profit sector (Vogel

2005), voluntary programs have gained traction in the charity sector as well (Lloyd and de las Casas 2005; Sidel 2009, 2010; Bothwell 2001). Warren and Lloyd (2009), using the One World Trust database of civil society self-regulatory initiatives, identify 309 such nonprofit voluntary programs. These initiatives vary along several dimensions, including the provision of third-party auditing to ensure that participants honor program obligations.

Yet, the value of these information signals in shaping donor choices might be overstated. The literature on voluntary programs in the for-profit sector suggests that the “market for virtue” (Vogel 2005) is underdeveloped. Consumers often do not pay attention to social or environmental labels that voluntary programs participants use as a signaling device (O’Brien and Zoumbaris 1993). The multiplicity of such labels often leads to informational overload. Further, the variability in the quality of such labels invites accusation of “greenwashing.”¹ Hence, the credibility of voluntary programs for consumers needs to be empirically demonstrated instead of assumed.

In light of this debate, we examine whether individual donors consider a charity more trustworthy if it participates in a voluntary self-regulation program. We present our findings from a survey experiment of 1200 individuals in the United States. Using Amazon’s Mechanical Turk, we explore whether a charity’s participation in a voluntary program enhances individuals’ propensity to donate to it. Further, we explore whether variations in the voluntary program design, specifically the presence of third-party auditing, influence the strength of the trust signal conveyed by the voluntary program.

While recognizing the exploratory nature of this study, to the best of our knowledge, this is perhaps the first paper to use a survey experiment to test whether a charity’s participation in a voluntary program influences individuals’ decisions to donate. Theoretically, this paper contributes to the literature on nonprofit trust by examining how institutional innovations (specifically, voluntary regulation of the charitable sector and charity watchdog ratings) might mitigate the information asymmetry between nonprofits and their stakeholders (specifically, individual donors) and generate trust.

The paper proceeds as follows. We review the literature on charitable giving motivations and trust in nonprofits in Sect. 2 and propose testable hypotheses in Sect. 3. The survey experiment and data are presented in Sect. 4. Section 5 discusses the empirical results and is followed by our conclusions.

Why Do Individuals Make Charitable Donations?

Research on charitable donations has identified both self-interested and other-interested motivations for individual giving. For example, Bekkers and Wiepking (2010) identify eight mechanisms that drive charitable giving: (1) awareness of need; (2) solicitation; (3) costs and benefits; (4) altruism; (5) reputation; (6) psychological benefits; (7) values; and (8) efficacy. As Sargeant and Jay (2004,

¹ <http://www.greenwashingindex.com/>; <http://stopgreenwash.org/> (accessed 10/22/2014).

p. 100) highlight, rational actors cannot be argued to donate entirely out of material self-interest since “donors will always be better off not making a donation.” We identify three different self-interested motivations for charitable giving.

The first explanation is narrow self-interest. Individuals give to charities when they expect to get a good or service in return. For instance, for someone who goes frequently to the zoo, becoming a member saves money because it usually includes free access to the park. Individuals advance their own material gain through their donation. The argument is also often made that donations can advance an individual’s reputation. Although this argument is convincing for certain types of donations, it clearly cannot explain why someone would make an anonymous donation to say an NGO serving poor children in Africa.

The second way in which we address this apparently irrational behavior is to allow for “interdependent utility functions,” which basically means that one’s welfare is also partially dependent on that of others (Ray 1998). Donations to charities, by improving the welfare of others, also improve one’s own. One such argument could be made about donating to a charity creating job opportunities in a poor district of one’s town. More broadly, one could even argue that improving conditions in less developed countries ultimately leads to better economic conditions around the world. Yet, this argument also appears to be limited to certain types of donations.

Third and finally, scholars have argued that donors not only benefit from the outcomes of their donations, but also psychologically benefit from the process of giving, which is often referred to as “warm glow” or “joy of giving” (Andreoni 1989). Halfpenny (1999, p. 201) describes it as “psychic income from the act of giving” as people derive pleasure from the act of giving itself. For instance, Harbaugh et al. (2007) find that, when participants gave money to a charity (a food bank in this case), they experienced more neural activity in the part of the brain associated with rewards.

Individuals are not only motivated by self-interested reasons, however. They may also make charitable donations out of concern for others. Altruistic donors care about how their money can help other people and create public goods more generally. Survey research highlights a strong association between prosocial values (such as altruism and equality) and charitable giving (see Bekkers and Wiepking 2010 for a review). Donors may also be more motivated to give to charities if they believe that their donation will make a real difference, which is known as “efficacy.” Personal connections matter as well. If one knows a potential beneficiary of the charity, one is more likely to give (Bekkers and Wiepking 2010). For instance, people with a friend or family member who has suffered from breast cancer are more likely to donate to breast cancer research organizations.

In recent years, scholars from various disciplines have begun to study charitable donations using experimental designs. In some cases, the findings are in line with prior theory and empirical findings from the literature. For instance, Croson, Shang and colleagues (Croson and Shang 2011), in a number of experiments, informed individuals of how much another unnamed person had given and found that donors tended to increase or decrease their own donation to conform with this “social information,” confirming the importance of social

influence on giving. In another experiment, Karlan and List (2007) found that, when a matching grant (when a donor commits to match the contributions of other donors up to a certain amount) was mentioned in mail solicitations from a charity to which they had previously made a donation, people donated more money. In other cases, experiments lead to somewhat surprising results. Charities know that people tend to give more to help identified victims than non-identified ones—that is, in part, why charities tend to use testimonies and pictures of individuals as opposed to statistics in their appeals. But experimental research by Kogut and Ritov (2011) shows that this effect is only valid for a single victim. Indeed, in their experiment, showing a photo of a single child in need of expensive medicine elicited more donations than not identifying a child, but showing a group photo of eight children did not elicit higher donations than showing the photo of the single child. With this paper, we aim to contribute to the growing, interdisciplinary literature that uses experimental tools to assess motivations for altruism.

One especially relevant finding from the experimental literature for our purposes is that, although people believe that decisions about charitable donations *should* be made based primarily (or at least equally) on objective information about the scope of a crisis, they tend to make decisions based on a range of factors (Huber et al. 2011). This result is echoed by findings in non-experimental studies of charity watchdogs. Although charity watchdogs are supposed to provide simple and clear signals about charities' financial efficiency—a factor that donors themselves say they prioritize when evaluating charities (Silvergleid 2003)—Szper and Prakash (2011) and Silvergleid (2003) find no relationship between watchdog ratings (such as Charity Navigator and the American Institute of Philanthropy) and donor contributions to charities. In fact, they report that donors seek information on charities based on their observations and experience, and do not rely on third-party raters.² If we extend these empirical findings to the case of voluntary programs, arguably, providing individual donors with information about the voluntary regulatory programs in which a charity participates may not influence donors' propensity to donate to the charity. Donors may rely on other sources of information or employ different criteria to evaluate the trustworthiness of the charity.

The issue here, however, is that one of the objectives of charities joining these voluntary regulatory programs is for their membership to serve as a signal of trustworthiness that will hopefully translate into higher contributions from donors and/or attract new donors. For instance, the home page on the website of Imagine Canada's Standards Program, a voluntary regulation program, quotes the director of development of a nonprofit: "With donor expectations for accountability and transparency from charitable organizations on the rise, Imagine Canada's accreditation program builds confidence among donors and prospective donors."

² Results do vary across studies. For instance, Chhaochharia and Ghosh (2008), who use AIP ratings like Silvergleid, find that charities with the lowest rankings systematically receive lower donations than charities with the highest rankings. Sloan (2009) finds that "pass" ratings from the Better Business Bureau's (BBB) Wise Giving Alliance tend to increase donations while "do not pass" ratings (or absence of ratings) have no effect. Grant and Potoski (2015) examine charity ratings in the context of collective reputation of charities in their sector: they find that donations to nonprofits are influenced by the Charity Navigator ratings of their peers.

Similarly, SGS, a certification company, begins the discussion of the benefits of its NGO Benchmarking Certification Audit with the following sentence: “Ensuring the transparency, integrity and performance of an NGO is of crucial importance to stakeholders such as donors, beneficiaries, contractors or local authorities.” As another example, the Philippine Council for NGO Certification uses the term “seal of good housekeeping” to describe the role of its voluntary regulation program: “The PCNC certification shall then become a ‘seal of good housekeeping’ which hopefully shall also help the funding agencies and partners, both local and foreign, in their decisions on which NGOs deserve their support.” As these examples (and many others) suggest, charities are led to believe that a voluntary program’s seal of approval will influence donor decisions despite empirical research findings to the contrary. As such, this experiment is relevant practically as well as theoretically.

Trust in Nonprofits: A Review

Since the end of the Cold War, there has been an increased focus on policy solutions which involve the third sector, civil society or nonprofit/non-governmental organizations (NGOs). The assumption is that this sector is less affected by factors that lead to market and government failures. Further, involving nonprofits/NGOs in the policy process will further the cause of democracy, governance, and accountability because these actors truly represent citizens’ preferences and selflessly serve citizens’ interests. The increased inflow of governmental, private, and foundational funds to both advocacy NGOs and service-delivery nonprofits demonstrates the widespread acceptance of this discourse.³

The increased policy attention and inflow of funds, coupled with low entry barriers into the charity sector, have had unexpected consequences: it has attracted less ethical and capable organizations. This, by itself, is not necessarily a problem if donors are able to differentiate the credible/capable charities from unethical/incapable ones. However, individuals often lack the ability to gather and interpret information on charities. Donor discomfort with these information deficits probably gets accentuated with media reports on charity scandals and financial irregularities. In extreme cases, unable to differentiate “good” charities from “bad” ones, individuals might think of all charities as “lemons” (Akerlof 1970). Alternatively, donors might impose strict accountability requirements that distort managerial priorities away from beneficiaries (Ebrahim 2005). Segments of society that view charities in a less favorable light might also seek new regulations to limit and constrain the operations and fundraising of charities (Dupuy et al. 2015).

Yet, some scholars suggest that charities’ institutional design makes them trustworthy, implying that they are less likely to confront issues associated with trust deficits. Hansmann (1980) suggested that nonprofits (including charities) are trustworthy because they face a “non-distribution constraint”: because nonprofits do not have owners or residual claimants and are legally prohibited from distributing

³ In the U.S. alone, the total giving to charitable organizations was \$335.17 billion in 2013, which is about 2 % of GDP (<http://www.givingusareports.org/>, accessed 10/24/2014).

profits, they have fewer incentives to misuse organizational resources and deliver services of poor quality to beneficiaries. Thus, the non-distribution constraint is a credible signal to donors that charities will deploy resources in ways which are consistent with stated organizational objectives. However, Ortmann and Schlesinger (2003) note that the non-distribution constraint provides only a “negative” protection against unethical behavior. It does not provide incentives for managers to put in efforts to deploy organizational resources efficiently and effectively (Ben-Ner and Gui 2003).

If the non-distributional constraint is an inadequate signal of trustworthiness, credible nonprofits might seek to unilaterally provide information on their governance practices. For instance, they might seek membership in a voluntary self-regulatory program. Scholars suggest that voluntary programs can be conceptualized as “clubs” (Prakash and Potoski 2006) which allow members to collectively generate and convey a signal of good governance.

Economists note that clubs are institutions that facilitate the voluntary provision of collective goods by enforcing exclusion (and not by mandatory taxation) (Buchanan 1965; Cornes and Sandler 1996). In recent years, scholars have employed this concept in the context of voluntary regulation or certification programs, both in the for-profit (Prakash and Potoski 2006) and non-profit sectors (Gugerty and Prakash 2010). Voluntary program membership can generate a signal of trust in participating charities because club members are obligated to adopt rules and standards that lead to good governance. Further, because club members can display their membership brand, it allows donors to distinguish members from non-members. Thus, the membership signal has the characteristics of a club good: it can be shared among its members (non-rival) but non-members can be excluded from using it (excludable).

However, scholars, charity managers, and donors recognize that voluntary programs are not all created equal. They vary in their institutional design and impose different types of obligations on their members (Prakash and Potoski 2006). How can donors be assured that charities are respecting the obligations imposed by their clubs, the so-called shirking problem? Most regulatory systems, public or private, rely on regulatees to report on their own compliance. Scholars suggest that the quality of self-reported data varies (Burger and Owens 2010; Szper 2013). Even if clubs impose stringent obligations, donors may believe that relying on self-reports alone will not reveal the true picture on compliance. To curb incentives for shirking, voluntary programs can require regular inspections by third-party auditors to ensure that participating charities are abiding by program obligations.

Yet, it is not clear the extent to which donors, especially individual donors, are able to differentiate among voluntary programs with and without monitoring and enforcement mechanisms. Even if they are able to differentiate, there is less systematic evidence that these monitoring mechanisms have an independent effect on donors’ perceptions of nonprofits’ trustworthiness. In the next section, we develop hypotheses to test whether membership in voluntary programs increases individual donors’ propensities to donate to a charity, and whether the provision of third-party auditing can further enhance the public’s trust in these organizations.

Hypotheses

There is some evidence to suggest that donors are increasingly moving to online giving. The Blackbaud Index⁴ reports that the increase in online giving is outpacing traditional giving (8.9 vs. 2.1 % in 2014). Scholars also examine the extent to which individuals gather information on potential charitable recipients from online sources, whether they intend to give online or via traditional routes (see for example the literature on Charity Navigator: Silvergleid 2003; Sloan 2009; Szper and Prakash 2011). The 2013 Oxford Internet Surveys (Oxford 2015) notes the “increasing levels of trust in online information [...] (next generations users place the Internet very slightly behind television news in terms of institutional trust, and ahead of “major companies”, newspapers, and the Government), as well as the implications for how people use the Internet, particularly how they go about discerning safe sites and trustworthy information.” These findings suggest that individuals are increasingly relying on online sources to collect and interpret information.

Donating to a charity is usually not a major financial decision in most people’s lives. Searching for information about multiple charities is costly. Governmental regulations and mandatory information disclosures, while helpful, may not substantially reduce information and search costs for potential donors.⁵ For example, U.S.-based charities are required to file Form 990 annually with the Internal Revenue Service (IRS). While this document is required by law to be made available to the public, it is lengthy and difficult to understand. Individuals typically do not scrutinize Form 990 prior to making their decisions about charitable giving.

Instead, individual donors can be expected to employ other methods to identify trustworthy charities. For example, they might seek to observe the work of the charity, if it is located in their vicinity. They may seek information on the charity from their friends, family and acquaintances (Szper and Prakash 2011; Sloan 2009). In addition, voluntary programs may provide informational clues to donors about potential donation recipients. If individuals are aware of the programs, they may specifically look for their brand signal. Further, individuals might be more inclined to donate if a charity has joined a program that requires audits from independent third parties. Hence, we hypothesize as follows:

H1 Charity membership in a voluntary program increases individual donors’ propensity to donate.

H2 Charity membership in a voluntary program increases individual donors’ propensity to donate even more when such programs include third-party audits.

Yet, in spite of compelling theoretical reasons as to why voluntary program membership should influence individual donor decisions, there are reasons to be skeptical. Consumers may not pay attention to social and environmental labels that reflect firms’ membership in voluntary programs or might discount the information

⁴ <https://www.blackbaud.com/nonprofit-resources/blackbaud-index>

⁵ In this context, see the literature on information-based regulation (Gormley and Weimer 1999; Weil et al. 2006; Fung et al. 2007).

these membership labels provide. This is not to say that firms do not receive benefits from joining voluntary programs. They certainly do, but these benefits are not necessarily in the form of higher prices consumers are willing to pay. The same logic might hold for the charity sector. While voluntary programs provide informational shortcuts to boundedly rational donors, the multiplicity of such programs might lead to information overload. Further, individual donors might not be able to differentiate a legitimate voluntary program with stringent obligations from a less stringent one. Given that the entry barrier to establishing a voluntary program are quite low, donors might view voluntary programs as “charitywashes” and may therefore not be more inclined to support a charity with program membership over a charity without such membership. Hence, we propose an alternative hypothesis as follows:

H3 Charity membership in a voluntary program does not influence individual donors’ propensity to donate.

For a potential donor, the usefulness of this trustworthiness signal depends on the quantity and quality of information s/he can access about the charity at a low cost (McDougle and Handy 2014). If the information gap between the charity and potential donor is significant, the signal of trustworthiness via voluntary club membership will be more useful and salient.

Information gaps are of particular importance when individual donors make choices between charities working in different locations. When a charity is providing services locally, donors can usually visit the organization and/or meet with beneficiaries who can give them feedback about the services they are receiving. They can also receive information from their family, friends, and acquaintances. In contrast, when a charity provides services abroad, beneficiaries are separated from donors by important physical and (sometimes) cultural distances, which limits the quality and quantity of information donors can gather about the charity’s governance and performance. In such cases, voluntary program membership should have the potential to play a greater role in an individual’s decision to donate. Thus, we hypothesize as follows:

H4a Individuals are more inclined to donate to local charities over international charities irrespective of voluntary program membership.

H4b Charity membership in a voluntary program has a smaller effect on individual donors’ propensity to donate when the charity operates locally compared to a charity operating abroad.

In the United States, potential donors can access information about the trustworthiness of charities from mechanisms other than voluntary programs. Charity watchdogs, such as Charity Navigator, Better Business Bureau (BBB) Wise Giving Alliance and Ministry Watch, are one such mechanism. These watchdog organizations rate charities on financial health and accountability and present the information in a user-friendly format to help individuals make informed donation decisions. Charity Navigator, which is among the most visible charity watchdogs, rates charities on a 5-point scale from “exceptionally poor” (no star) to

“exceptional” (4 stars). From 2002 to 2010, the number of visits to the Charity Navigator website expanded from eighteen thousand to about 5 million.

Even if voluntary regulation programs and watchdog agencies usually provide information on similar subjects such as financial management and accountability, watchdog agencies give charities an actual score, which can be considered a clearer signal of trustworthiness than membership in a voluntary program. Furthermore, while charities “join” a voluntary program, watchdogs can rate any charity since scores are based on publicly available information. Hence, watchdogs and voluntary programs should be viewed as two distinct institutional mechanisms for potential donors to evaluate charities. While the extent to which such scores influence donation decisions is debated (Grant and Potoski 2015; Silvergleid 2003; Sloan 2009), the additional trust that voluntary program membership generates will be lower if donors are aware of how this charity has been scored by a prominent watchdog. We hypothesize as follows:

H5 Charity membership in a voluntary program has a smaller effect on individual donors’ propensity to donate when individuals also know the charity’s Charity Navigator score.

Methods: Online Survey Experiment

To test the above hypotheses, we conducted an online survey experiment of 1200 individuals in the United States, exposing respondents to the description of a hypothetical charity. Because this survey focuses on donations by the American public, and not by institutional donors, it is not representative of the average donor dollar. Our methodology allows us to vary certain elements of the charity’s description to explore the role of specific factors in motivating individual charitable giving decisions.

To recruit respondents, we used the *Amazon Mechanical Turk* (MTurk) platform. The survey was completed over 6 days, between March 4th and March 9th, 2014. To become MTurk “workers,” individuals must enroll online (<https://www.mturk.com/mturk/welcome>). Once they have provided basic information about themselves, they can start completing tasks (such as surveys, translations, etc.). All the tasks available on MTurk appear as a dropdown list with short descriptions and approximate completion times. MTurk workers click on the tasks in which they are interested and complete them in order to receive a small payment (we offered \$0.50 for our survey).

Although, in relation to the overall American population, our survey might seem to over-represent males (60.6 %), Whites (76.9 %), Asian Americans (7.8 %), educated individuals (49 % have a Bachelor’s degree or higher), Democrats (42 %) and people without a religious preference (48 %), scholarly research suggests that using MTurk for experimental research produces results similar to experiments conducted on a representative sample of the U.S. population (Berinsky et al. 2012; Tingley and Tomz 2014). It also fares much better than other types of convenience samples (such as recruiting undergraduate students). Our specific survey includes

“traditional” survey questions as well as an experimental portion describing a fictitious charity and asking participants whether they would donate to this organization.

National giving surveys have shown that people who have donated money or time to charities in the past are more likely to donate again (Hall et al. 2009; Toppe et al. 2002), which implies that, all else equal, past contributors may be more willing to donate to our fictitious charity. Research also suggests that trust in one institution (say government) has a spillover effect on trust in other institutions (Rothstein 2000), which indicates that, all else equal, people with high levels of trust should be more willing to give to our fictitious charity. We also expect that individuals favoring fair trade would be willing to expend personal resources to help underprivileged individuals abroad, and thus also support charities that work overseas. In contrast, we expect individuals who believe the United States already helps foreign nations sufficiently may be less willing to make a donation to a charity operating abroad. Finally, we expect that individuals who are more knowledgeable about charity watchdogs such as the Better Business Bureau or Guidestar will be more likely to see ratings by such watchdogs as a signal of trustworthiness.

Based on the above discussion, prior to being exposed to the experiment, participants answered five questions: (1) whether they have made a charitable donation in the past year; (2) whether they have volunteered in the past year; (3) how much they trust various people and institutions (people they know, people they meet for the first time, immigrants, and the federal government); (4) whether they agree about statements on fair trade and foreign aid (“Fair trade supports farmers abroad by giving them just compensation” and “The United States spent \$50 billion on foreign aid in 2011. That’s too much.”); and (5) whether they are familiar with the Better Business Bureau and Guidestar, two well-known charity watchdogs.

The experimental portion of the survey followed a 2 (scope of activities) $\times$ 3 (voluntary program participation and design) $\times$ 2 (Charity Navigator rating) between-subjects design. That is, subjects were assigned randomly to one of twelve different experimental groups (see Table 1). The scope dimension allows us to manipulate perceptions of information gaps about the charity: our expectation is that respondents will perceive a lower information gap for charities operating locally (“in your county”) than for charities operating abroad (in our case, Haiti).

We chose Haiti because we assumed that most Americans would be broadly familiar with the country and with the fact that it has needed humanitarian help in the past. Yet, one might wonder if the media coverage of corruption scandals in the country has biased the respondents’ perceptions about giving to Haiti. As research shows, the level of policy literacy among average Americans about overseas events is low (Aalberg et al. 2013). Moreover, while there have been several scandals about financial wrongdoings in charities, these are not limited to any particular country. Even if the average respondent believes that Haitian charities are corrupt and therefore less worthy of her support, this works in favor of our theoretical claim about voluntary programs as signals of trustworthiness. Prior research suggests that the signaling benefits of voluntary programs are stronger if the actor/organization joining the program is located in corrupt countries (Berliner and Prakash 2013; Montiel et al. 2012). Membership in a voluntary program allows actors to purge

Table 1 Summary of experimental groups

	1	2	3	4	5	6	7	8	9	10	11	12
<i>Scope</i>												
Local (U.S.)	X	X		X	X							
Int'l (Haiti)			X			X	X	X	X	X	X	X
<i>Voluntary program</i>												
No mention	X	X					X	X				
Accredited			X	X					X	X		
Monitored					X	X					X	X
<i>Charity navigator</i>												
No mention	X		X		X		X		X		X	
3 stars		X		X		X		X		X		X

themselves of the adverse “country of operation” effect. Hence, the fact that the fictional charity is located in Haiti should make it more attractive to donors as it recognizes the trust problem and seeks to distinguish itself from its Haitian peers.

The voluntary program and Charity Navigator dimensions allow us to manipulate mechanisms that might bridge the perceived information gap. Further, within the voluntary program dimension, we are able to manipulate institutional design by creating a separate scenario that mentions third-party monitoring.

Subjects read the “About Us” factsheet of a fictional charity that provides food to hungry schoolchildren (see the appendix for the factsheet script). The control vignette, which experimental groups 1 and 7 read, briefly introduces the organization (“Meals for Kids” if operating in the United States (group 1) or “Meals for Kids International” if operating in Haiti (group 7)) and then shares three quotes from happy parents and volunteers. Depending on the experimental group, some of these quotes are replaced with a statement that Meals for Kids meets the standards of the Human Services Accountability Initiative, a fictitious third-party certification program, and/or by a statement that Meals for Kids received three stars out of four from Charity Navigator. For instance, experimental group 2 was exposed to a vignette describing a charity operating locally and rated by Charity Navigator. The vignette does not provide information on any voluntary program this charity may have joined. Experimental group 11 was exposed to a vignette describing a charity operating in Haiti, which has joined a voluntary program and is subject to independent auditing as part of that voluntary program. However, it does not mention the score this charity has received from Charity Navigator. Table 1 details the components of the vignette for each experimental group.

After reading the factsheet about the charity, participants are asked how likely they would be to make a charitable donation to that organization (very unlikely (1); unlikely (2); neither likely nor unlikely (3); likely (4); very likely (5)). This is our dependent variable. In addition, we include three factual multiple-choice questions as manipulation checks (one for each of our independent variables) to determine if survey participants understood the information on the factsheet: where does the charity operate; how many stars has Charity Navigator awarded to the charity; and what is the Human Services Accountability Initiative (our fictitious voluntary regulation program). Finally, participants are asked demographic questions on their gender, age, ethnicity, education, income, political affiliation, and religion, which we include as control variables. Table 2 provides descriptive statistics for all variables of interest in this paper.

Results

Propensity to Donate by Experimental Frame

Table 3 shows the percentage of respondents who answered that they would be “likely” or “very likely” (score of 4 or 5 on our scale) to donate money to Meals for Kids after reading one of the randomly assigned charity profiles. Overall, almost 44 % of respondents said that they would be likely to donate. Interestingly,

respondents who were only given testimonies of happy parents and volunteers were more likely to say they would donate than the average while respondents who were told that Meals for Kids was certified by a voluntary regulation program or that it had received a good score from a charity watchdog were less likely to say they would donate than the average. Basic descriptive statistics seem to indicate that voluntary program membership actually depressed propensity to donate. Respondents also said they were more willing to donate when they thought Meals for Kids operated in the United States as opposed to Haiti (almost a 10 % difference), which appears consistent with hypothesis 4. Yet by and large the differences in these simple frequencies between the groups are quite small, suggesting that membership in voluntary regulation programs may not necessarily have the signaling effect on the general public that charities may hope to achieve, consistent with hypothesis 3.

Mann–Whitney U-tests, the nonparametric equivalent of difference-of-means tests (independent *t* tests) for data that are not normally distributed, confirm these initial findings. The respondents' mean willingness to donate is not statistically

Table 2 Descriptive statistics

Statistic	N	Mean	SD	Min	Max
Likelihood to donate (5-point likert scale)	1199	3.057	1.115	1	5
Likelihood to donate (dichotomous)	1199	0.437	0.496	0	1
Voluntary program frame: no audit	1199	0.339	0.473	0	1
Voluntary program frame: audit	1199	0.334	0.472	0	1
Charity navigator frame	1199	0.510	0.500	0	1
Haiti frame	1199	0.512	0.500	0	1
Female	1198	0.394	0.489	0	1
Age	1193	33.965	12.093	18	77
Education	1198	1.479	0.843	0	3
Income	1117	1.897	1.374	0	4
Religious attendance	1199	0.540	0.708	0	2
Race/ethnicity	1199	1.505	1.036	1	5
Marital status	1199	1.576	0.611	1	3
Ideology	1199	2.018	0.661	1	3
Political affiliation	1198	2.065	0.955	1	4
Religious preference	1199	3.754	1.429	1	5
Region	1191	2.622	1.083	1	4
Trust federal government	1199	1.584	0.791	1	3
Knowledge about charity watchdogs	1199	0.420	0.494	0	1
Charitable donation in last year	1199	0.564	0.496	0	1
Volunteering in last year	1199	0.339	0.473	0	1
Number of correct answers (factual Qs)	1199	2.071	0.911	0	3
Fair trade question	1198	2.372	0.703	1	3
Foreign aid question	1199	2.237	0.854	1	3

different between groups that were exposed to a vignette mentioning the voluntary program and groups that were not (hypotheses 1 and 3; $p < 0.177$), between groups that were exposed to the third-party auditing statement and groups that were not (hypothesis 2; $p < 0.080$), or between groups that were exposed to a Charity Navigator score and groups that were not (hypothesis 5; $p < 0.902$). Giving survey participants additional information about the charity's trustworthiness simply did not affect significantly whether they would opt to donate money to the charity. On the other hand, the difference in the mean willingness to donate based on whether respondents were told that the charity was located in the United States or in Haiti is statistically significant (hypothesis 4; $p < 0.001$).

Propensity to Donate Based on Reading Comprehension

Arguably, the small, non-significant differences in percentages across experimental groups may be an indication that respondents did not read the charity profile attentively. Since Mechanical Turk pays for each completed task, workers who want to maximize their income should spend as little time as possible executing a task, clicking on answers as fast as possible without paying careful attention to the text. To check for this possibility, we included three factual questions about the vignette

Table 3 Percentage of respondents who say they would be “likely” or “very likely” to give a monetary donation to Meal for Kids/Meal for Kids International

Question: Imagine that Meals for Kids contacted you with a request for a donation. How likely would you be to agree to donate money?

	Full sample (<i>N</i> = 1199)	Subsample operating in U.S. (<i>N</i> = 585)	Subsample operating in Haiti (<i>N</i> = 614)
All respondents	43.7 %	48.5 %	39 %
<i>Voluntary program frame</i>			
Respondents who read <i>any</i> mention that Meals for Kids was certified by the Human Service Accountability Initiative	42.5 % (<i>N</i> = 807)	47 % (<i>N</i> = 394)	38.3 % (<i>N</i> = 413)
Scenarios with certification only	45.1 % (<i>N</i> = 406)	48.2 % (<i>N</i> = 199)	42 % (<i>N</i> = 207)
Scenarios with certification and independent auditor	39.9 % (<i>N</i> = 401)	45.6 % (<i>N</i> = 195)	34.5 % (<i>N</i> = 206)
<i>Charity watchdog frame</i>			
Respondents who read that Charity Navigator gave Meals for Kids 3 stars out of 4	42.3 % (<i>N</i> = 612)	46.1 % (<i>N</i> = 306)	38.6 % (<i>N</i> = 306)
<i>Control group</i>			
Respondents who were not told about the Human Service Accountability Initiative or Charity Navigator	47.1 % (<i>N</i> = 191)	53.3 % (<i>N</i> = 90)	41.6 % (<i>N</i> = 101)

in the survey. Table 4 shows the percentage of respondents who answered that they would be “likely” or “very likely” to donate money to Meals for Kids among people who answered two or all three factual questions correctly compared to people who answered one or none of the questions correctly. We would expect that the participants who answered most questions correctly have read the profile carefully, and thus should be influenced to donate more when voluntary programs or charity watchdogs are mentioned in the vignette. Conversely, participants who answered few questions correctly may not have paid attention to the vignette and are less likely to be influenced by the treatment. The Mann–Whitney U-test does reveal that respondents’ mean willingness to donate is statistically different between the participants who answered most questions right and the participants who answered most question incorrectly ($p < 0.016$). As Table 4 shows, regardless of which vignette they received, participants who answered incorrectly most of the time seem more willing to donate to Meals for Kids than their counterparts who fared better in the factual questions.

As reported in Table 4, in both groups (mostly correct answers and mostly incorrect answers), participants who received no information about the voluntary program or Charity Navigator (last row of the table) appear to be more willing to donate to Meals for Kids than participants who read that the charity participated in a voluntary program or received a good Charity Navigator score. However, as was the case above, the differences in willingness to give across the different experimental frames are quite small and not statistically significant. Therefore, there is no indication that providing information about a charity’s trustworthiness has an effect on one’s willingness to donate to that charity, even when taking into account that certain people may not have read the provided information carefully.

Propensity to Donate Based on Demographic Characteristics

Table A, in the online appendix, shows the percentage of respondents who answered that they would be “likely” or “very likely” to donate money to Meals for Kids based on their demographic characteristics. Chi square tests reveal that we can reject the null hypothesis that there is no relationship between donation likelihood and the following indicators: gender, race, religious preference, trust in the government, having given money to charity in the past, and having volunteered for a charity in the past.

Regression Analyses

To corroborate these results, we also conduct regression analyses including a battery of control variables. We collapse our dependent variable into two categories, “likely” and “unlikely/neither” to donate, and estimate logistic regressions.⁶ Model

⁶ Because the original dependent variable is ordinal (5-item Likert scale), we also estimate ordered probit models with the same specifications (see Table B in the online appendix). Results are similar. Two notable exceptions in the ordered probit regressions are that Asian Americans are significantly more likely to donate than their White counterparts, and respondents who volunteered in the past year are significantly more likely to donate than those who did not.

Table 4 Percentage of respondents who say they would be “likely” or “very likely” to give a monetary donation to Meal for Kids/Meal for Kids International categorized by reading comprehension

Question: Imagine that Meals for Kids contacted you with a request for a donation. How likely would you be to agree to donate money?

	2–3 correct answers (<i>N</i> = 901)	0–1 correct answers (<i>N</i> = 298)
All respondents	42.2 %	48.3 %
<i>Voluntary program frame</i>		
Respondents who read <i>any</i> mention that Meals for Kids was certified by the Human Service Accountability Initiative	41.6 % (<i>N</i> = 603)	45.1 % (<i>N</i> = 204)
Scenarios with certification only	43.7 % (<i>N</i> = 293)	48.7 % (<i>N</i> = 113)
Scenarios with certification and independent auditor	39.7 % (<i>N</i> = 310)	40.7 % (<i>N</i> = 91)
<i>Charity watchdog frame</i>		
Respondents who read that Charity Navigator gave Meals for Kids 3 stars out of 4	42.3 % (<i>N</i> = 465)	44.9 % (<i>N</i> = 147)
<i>Control group</i>		
Respondents who were not told about the Human Service Accountability Initiative or Charity Navigator	46.2 % (<i>N</i> = 145)	50 % (<i>N</i> = 46)

1 includes only the experimental frames in the vignettes as independent variables (1 if present, 0 if absent): the statement that Meals for Kids was accredited by the Human Services Accountability Initiative; a similar statement including a mention that Initiative members conduct third-party audits; a Charity Navigator score; and the location of the charity (0 if US, 1 if Haiti). Model 2 includes demographic control variables: gender, age, educational attainment, household income, race/ethnicity, religious service attendance, marital status, ideology, political affiliation, religious preference, and region of residence. Model 3 includes the five questions participants were asked at the beginning of the survey (How much do they trust the federal government? How much do they know about the Better Business Bureau Wise Giving Alliance and Guidestar?⁷ Did they make a charitable donation in the last 12 months? Did they volunteer in the last 12 months? Did they agree or disagree with the statements “Fair trade supports farmers abroad by giving them just compensation” and “The United States spent \$50 billion on foreign aid in 2011. That’s too much.”?). Model 3 also includes a count variable of the respondent’s

⁷ For each organization, respondents could answer that they knew nothing about it, a little, some, a lot, or that they did not know. If a respondent answered “some” or “a lot” for either organization, s/he was assigned “1” on charity watchdog knowledge.

right answers on the reading comprehension questions. Model 4 includes all variables. Table 5 presents the regression results.⁸

Across all model specifications, information about voluntary program membership and charity watchdog scores do not significantly affect the likelihood of donation. This suggests that trustworthiness signals, regardless of their source, do not affect individual Americans' donation choices. Information about third-party auditing is statistically significant in half of the models: respondents are less willing to donate to a charity that is audited by a third party ($p < 0.05$). This finding is puzzling as it contradicts our theoretical expectations.⁹ Participants also report less willingness to donate when the charity is depicted as operating in Haiti as opposed to the U.S. ($p < 0.01$ or 0.001). This result is consistent with the results presented above, and with the hypothesis that individuals are more willing to donate locally than abroad (H4b).

Among the control variables, female respondents are more willing to donate than male respondents ($p < 0.001$). Individuals who have made a charitable donation in the past 12 months are also more likely to express willingness to donate ($p < 0.001$). Interestingly, more educated respondents (specifically those with a graduate degree) are less likely to be willing to donate than their less educated counterparts. African American respondents are more likely to express a willingness to donate than their White peers ($p < 0.05$).

Additional Checks

One could argue that the level of effort a participant put into reading our factsheet and answering the survey question may be driven by that participant's interest in charitable giving. If this argument is correct, we would expect that individuals who have given to charity in the past, for example, would answer our factual questions correctly more systematically than other participants, thus confounding our results. To test for this possibility, we estimate a separate regression with the number of correct responses (from 0 to 3) as the dependent variable (see Table F in online appendix). Poisson and negative binomial regressions produce the same results. None of the characteristics traditionally associated with charitable giving are associated with a better score. As such, we are confident that being more interested or involved in charitable giving in the past did not affect respondents' attentiveness to the experiment.

⁸ Additional regression results including interaction terms are available in the online appendix.

⁹ In the full sample, respondents were significantly less likely to donate when presented with a statement that the charity voluntarily underwent independent audits (which we expected would be a signal of trustworthiness). When we re-estimate the regressions on the subsample of respondents who read carefully (2 or 3 correct answers on the factual questions) and on the subsample of respondents who did not (0 or 1 correct answers), we find that the audit frame is statistically significant for less attentive respondents, but not for more careful ones (see Table C in the online appendix). One possible explanation for this finding is that participants who were trying to complete the survey as rapidly as possible may have seen the word "audit" in passing and attached a negative connotation to it. As a follow-up analysis, we remove participants who answered most manipulation checks incorrectly from the sample and repeat the analyses that we conducted on the full sample on this new smaller sample. Results are available in the online appendix in the set of Tables labeled "G".

Table 5 Results of logistic regressions for full sample (Question: Imagine that Meals for Kids contacted you with a request for a donation. How likely would you be to agree to donate money?)

	Model 1 (base)	Model 2 (demog. controls)	Model 3 (other controls)	Model 4 (full)
<i>Experimental frames</i>				
Voluntary program frame: no audit	−0.046 (0.143)	−0.055 (0.157)	−0.118 (0.147)	−0.115 (0.161)
Voluntary program frame: audit	−0.259 [†] (0.144)	−0.328* (0.158)	−0.274 [†] (0.148)	−0.334* (0.162)
Charity Navigator frame	−0.127 (0.117)	−0.097 (0.128)	−0.068 (0.121)	−0.052 (0.131)
Haiti frame	−0.390*** (0.117)	−0.469*** (0.129)	−0.359** (0.122)	−0.448*** (0.133)
Female respondent		0.777*** (0.140)		0.764*** (0.143)
Respondent age (logged)		−0.169 (0.231)		−0.215 (0.243)
<i>Education (ref: high school or less)</i>				
Some college		−0.153 (0.215)		−0.177 (0.220)
College degree		−0.183 (0.216)		−0.265 (0.222)
Graduate degree		−0.686* (0.283)		−0.879** (0.293)
<i>Income (ref: less than \$20,000)</i>				
\$20,000–39,999		0.352 [†] (0.201)		0.320 (0.205)
\$40,000–59,999		0.411* (0.207)		0.365 [†] (0.211)
\$60,000–79,999		0.510* (0.235)		0.480* (0.239)
\$80,000 and more		0.223 (0.222)		0.113 (0.228)
<i>Religious attendance (ref: never)</i>				
Occasionally		0.398* (0.184)		0.300 (0.190)
Weekly		0.156 (0.247)		−0.006 (0.256)
<i>Race/Ethnicity (ref: White)</i>				
African American		0.536 [†] (0.276)		0.616* (0.281)
Asian American		0.231 (0.254)		0.268 (0.263)

Table 5 continued

	Model 1 (base)	Model 2 (demog. controls)	Model 3 (other controls)	Model 4 (full)
Hispanic		0.157 (0.279)		0.247 (0.289)
Other		0.024 (0.414)		0.018 (0.430)
<i>Marital status (ref: single)</i>				
Married/Living with partner		−0.215 (0.150)		−0.221 (0.154)
Divorced/separated/widowed		−0.329 (0.303)		−0.398 (0.311)
<i>Ideology (ref: moderate)</i>				
Liberal		0.069 (0.192)		−0.044 (0.197)
Conservative		−0.168 (0.228)		−0.197 (0.232)
<i>Political affiliation (ref: Independent)</i>				
Democrat		−0.146 (0.174)		−0.153 (0.178)
Republican		−0.133 (0.235)		−0.149 (0.241)
Other/no preference		−0.225 (0.229)		−0.206 (0.234)
<i>Religious preference (ref: Catholic)</i>				
Baptist		0.360 (0.354)		0.407 (0.359)
Other Christian		−0.047 (0.223)		−0.027 (0.227)
Other non-Christian		−0.184 (0.270)		−0.216 (0.276)
None		−0.339 (0.236)		−0.284 (0.241)
<i>Region of residence (ref: Midwest)</i>				
Northeast		−0.112 (0.205)		−0.151 (0.210)
South		0.205 (0.175)		0.158 (0.180)
West		−0.032 (0.193)		−0.022 (0.197)
<i>Trust federal government (ref: distrust)</i>				
Neither trust nor distrust			−0.112 (0.158)	−0.101 (0.175)

Table 5 continued

	Model 1 (base)	Model 2 (demog. controls)	Model 3 (other controls)	Model 4 (full)
Trust			0.268 [†] (0.160)	0.224 (0.177)
Knowledge about charity watchdogs			0.102 (0.123)	0.072 (0.134)
Charitable donation in last year			0.647*** (0.129)	0.601*** (0.146)
Volunteering in last year			0.125 (0.132)	0.116 (0.148)
Number of correct answers (factual Qs)			-0.159* (0.068)	-0.114 (0.075)
<i>Fair trade = good (ref: disagree)</i>				
Neither agree nor disagree			-0.050 (0.195)	-0.073 (0.215)
Agree			0.147 (0.189)	0.147 (0.208)
<i>Too much U.S. aid (ref: disagree)</i>				
Neither agree nor disagree			-0.211 (0.176)	-0.391* (0.193)
Agree			0.038 (0.147)	-0.138 (0.167)
Constant	0.110 (0.133)	0.517 (0.859)	-0.094 (0.284)	0.779 (0.917)
Log Likelihood	-813.681	-711.372	-787.331	-692.906
BIC	1662.809	1661.187	1680.989	1694.384
Num. obs.	1199	1111	1198	1111

Standard errors in parentheses

[†] $p < .10$; * $p < .05$; ** $p < .01$; *** $p < 0.001$

To further investigate why respondents are less likely to donate to the Haitian charity as opposed to the local one, we divided our sample into globally minded and less globally minded subsamples. Respondents who “disagreed” and “strongly disagreed” with the statement that the U.S. gives too much foreign aid were considered “globally-minded” while others were not. Similarly, respondents who “agreed” and “strongly agreed” with the statement that fair trade provides just compensation for farmers abroad were also considered “globally-minded” while others were not. Logistic regression results for the two globally minded subsamples and their counterparts (as well as the results for the full sample as a point of reference) are shown in Table D in the online appendix. We find that while the Haiti frame is statistically significant in the subsample of less globally minded respondents, it does not reach 95 % statistical significance for globally minded

respondents (it does reach 90 % for one of the subsamples). That is, respondents who were globally minded were not less likely to donate if they were presented with a Haitian charity in the experiment. This suggests that the local–global divide we report in our findings may not be capturing the difficulty in monitoring a charity operating abroad, as we proposed in our theoretical argument, but something else. Future work should investigate whether people respond differently to local versus global charities because “charity begins at home”: they anticipate receiving (or their community receiving) benefits from local giving.

In sum, we find that the provision of information about a charity’s trustworthiness, via voluntary programs or favorable ratings by charity watchdogs, does not influence Americans’ willingness to donate across the different experimental frames.

Conclusion

Donors expect that charities will put their donations to appropriate use. However, they often face information gaps about how charities deploy these funds, particularly when charities work overseas. These information gaps might also arise because charities serve the underprivileged who do not have the ability to express displeasure with the quality of services they receive. Donor anxieties are accentuated by media exposés about mismanagement and even corruption in the charity sector. Trust in the charity sector cannot be assumed: the sector has to demonstrate that the trust it receives is justified.

What sorts of informational and assurance cues might donors desire in this regard? This survey experiment suggests that donors do not necessarily seek assurance and information via new instruments such as voluntary programs or charity watchdogs, but possibly through personal scrutiny, word-of-mouth, and their local networks. Further empirical research should examine the relative importance of these other sources of information. Our finding that charity ratings such as the ones provided by Charity Navigator play no role in individual donors’ contributions is consistent with some of the prior literature (see literature review above). We find that another institutional innovation, charity membership in voluntary regulation programs, also does not affect individual charitable giving. These findings are important theoretically because they suggest that charity signaling via these new institutions is not associated with increased trust. This raises three questions. First, is the issue of trustworthiness of charities overblown? Second, did our experimental design adequately reassure respondents that voluntary program membership leads their members to use donated funds more efficiently? Third, if trustworthiness is indeed important in the context of nonprofit giving, can we create different institutional innovations to signal trust in ways that can enhance individual giving or are donors unlikely to respond to signaling of any kind?

This paper should not be interpreted as suggesting that voluntary programs serve no policy purpose and that scholars should not study them. In the for-profit sector, firms do not seek to join voluntary programs because consumers demand such informational signals. Instead, much of the impetus to join voluntary programs

comes from firms' supply chain, activist groups, regulators, and financial analysts (Prakash and Potoski 2006). While membership in a voluntary program may not bring concrete benefits to firms, the absence of such membership might impose costs. Viewed this way, membership in a voluntary program can be conceptualized as a new sort of "social license to operate" (Gunningham et al. 2004). For example, Prakash and Potoski (2006), noting the important role of regulators as the consumers of informational signals, suggest that voluntary program membership can resolve the "regulation dilemma" whereby regulators may offer regulatory relief (or less stringent monitoring and enforcement) in response to firms' membership in credible voluntary programs. Arguably, the interest in voluntary programs among charities may be motivated by similar factors.

We should also recognize that voluntary programs in the charity sector are in their infancy. The charity sector does not yet have any program with the visibility of say ENERGY STAR, LEED certification of buildings, or Fair Trade. It is possible that as voluntary programs for charities get more established and receive media exposure, donors will look to them to guide their charitable donations. Future work should also examine the value of this signal in the context of regulators and other stakeholders, particularly given that a large number of countries have sought to regulate the nonprofit sector more vigorously and have enacted laws that restrict the funding and operations of local NGOs (Civicus 2015).

Our results indicate that donors are more likely to donate to a charity operating locally than to a charity providing an identical service abroad. We chose to locate our fictional charity in Haiti because we assumed that most Americans would be broadly familiar with the country and with the fact that it has needed humanitarian help in the past. Given the low level of knowledge the average American possesses about events abroad, we did not expect American donors to be more biased for or against Haitian charities than Bangladeshi charities, for instance. Yet, future work should explore whether there is a "Haiti Effect" in charitable giving. Individual donors might have specific regional preferences based on shared ethnicity, language, or culture; some may harbor prejudices against specific regions. We believe this issue needs to be explored in more detail—not only how much individual donors are willing to give but the extent to which they favor specific locations for charitable work over others.

In accordance with the literature, this survey experiment finds that individuals who have donated to charity in the past year are consistently and significantly more likely to express a willingness to donate to our fictitious charity. The fact that previous donation experience has a more substantive effect than charity signaling (through voluntary programs or charity watchdog ratings) could suggest that trust-building is not being affected by signaling or that potential donors have not learned to associate voluntary certification with trustworthiness yet. This leads to interesting questions for future research about the importance of personal experience. For instance, how much do one's personal interactions (positive or negative) with other charitable organizations influence the decision to donate to a new organization? Under what conditions, if any, do individuals trust other people or agencies' evaluations of charities as much as their own judgment?

This paper has focused on the choices individual American donors make in the context of charitable giving and how voluntary program membership might shape these choices. While we have used an online survey, future work needs to compare online giving choices with more traditional giving choices. Local or established charities may not seek to attract online donors and therefore not invest in their online presence. In contrast, overseas charities with little brand recognition may not only attract a different type of donor but also invest more resources in making their online personas more attractive. We believe systematic work comparing the drivers of online and traditional giving will move the discussion on this important issue forward.

This paper should be viewed as an exploratory study. The survey experiment methodology allows us to test specific hypotheses pertaining to voluntary programs. We recognize that the higher level of internal validity that a survey experiment affords comes at the cost of lower levels of external validity, an issue that has triggered some discussion among scholars (Barabas and Jerit 2010). Moreover, while MTurk is now a popular platform in academic research, the obvious drawback is that respondents do not face the real-world choice of where to allocate their charitable donations. Our sample is also limited to the United States. While recognizing these limitations, we believe our paper introduces a new empirical approach to examine the usefulness of information-based regulation and voluntary programs, which have emerged as important governance instruments for the charity sector.

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