

A quality certificate increases trust and donations to a charity



When donating to charities, people expect their money to be spent wisely. However, since donors are not the recipients of final goods and services, they cannot easily assess their quality. Given that large scandals involving charities are covered in press again and again (for example, Kids Company in UK in 2015, or Unicef in Germany in 2006), the reported trust in charities remains low in many countries.

Several certifying agencies award quality certificates to charities based on a set of known criteria. They either award an (all-or-nothing) certificate (e.g., BBB Wise Giving Alliance in the US, CBF-Keur in the Netherlands, or DZI Spendensiegel in Germany) or use a more elaborate scoring system (bronze, silver, gold, and platinum by GuideStar or up to 4 stars plus detailed scores by Charity Navigator, both in the US).

In our recent working paper, we study experimentally to what extent an (all-or-nothing) certificate for a charity is perceived as signal of quality, and how it affects donations and reported trust.

To study the impact of quality certificates on donations to a charity, we worked with a real local charity. The Björn Schulz Foundation assists families of children and young adults who suffer from life-threatening conditions. In a classroom experiment with almost 500 participants, we compared the amounts donated by people who were presented with a standard solicitation letter versus a letter that additionally informed that the charity has received a quality certificate.

The quality certificate was the German DZI Spendensiegel, which was indeed awarded to the Björn Schulz Foundation. Participants who were informed about the certificate donated on average 10 per cent more than participants who received the letter without the certificate.

We measured donation behaviour in three different ways. First, we asked the participants to choose a donation between €0 and €17, which they would make in the event of being drawn in a lottery and receiving an amount of €17. The probability of winning the lottery was known to be 5 per cent and we indeed cast a die at the end of the experiment and implemented the decisions of the winners.

Second, we also asked participants to mark a donation between €0 and €17 that they wanted to make with their own money if they would not win. This decision was not enforced. Finally, we analysed actual own money donations that were put into the donation boxes at the end of the experiment. All decisions were anonymous but linked to each other by a unique ID.

In a second step, we additionally informed half of the participants about the fees that a charity has to pay to the certifying agency. In light of this information, the participants could revise their decision to give. We expected that people who read the information about the fee for the certificate could interpret the reported expenses as a “diversion of resources” from the actual cause and thus, indicate lower donations on average than do participants who do not receive information about the costs. We observed, however, only a small decrease that was not significant.

For the purpose of the experiment we developed and validated a scale for measuring trust in a particular charity. This very short scale (7 items) is unique in that it can be applied both to actual and prospective donors, and it could be easily used by charities to monitor the trust among their prospects. In a survey following the experiment, we found that a certificate increased self-reported trust in a charity, and that there is a positive correlation between trust and donations. We also present some preliminary evidence pointing to the causal role of trust for the probability of donation.

Our findings strongly suggest that nonprofits should invest in certification. They also call for governments interested in raising overall donation levels to establish or support a (voluntary) system of accreditation for nonprofits. Most importantly, the gains in additional donations in a range of around 10 per cent are much higher than the costs of such a certification (in the case of the DZI certificate the fee amounts to a fraction of a percentage point of donations collected). Moreover, donors do not seem to be very sensitive to these costs although the literature in general suggests negative effects of administrative costs. The relevance of the topic goes beyond the nonprofit sector since the results likely carry over to other goods and services whose quality is not easy for customers to assess, and where the relationship between the seller and buyer has to be trust-based.



Notes:

- This blog post is based on the authors' paper [Quality certifications for nonprofits, charitable giving, and donor's trust: experimental evidence](#), co-authored with Jeyhun Alizade, Frauke Bohner and Fabio Mesters, WZB Discussion Paper SP II 2017–302.
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Maja Adena is a Research Fellow at the Berlin Social Science Center (WZB Berlin) in the group Economics of Change. She holds a doctoral degree in Economics from the Free University Berlin. Her primary research interests are in charitable giving and fundraising. Beyond that she is interested in topics in media economics. Her work has been published, among others, in *The Quarterly Journal of Economics*.



Julian Harke is a PhD candidate at the department of Logistics at the Vrije Universiteit and a research assistant at the Berlin Social Science Center (WZB Berlin) in the group Economics of Change. His primary research interests are in disaster relief and media economics.