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An experimental investigation of accounting information's influence on the individual giving process

Steve Buchheit ^{a,1}, Linda M. Parsons ^{b,*}

^a *Rawls College of Business Administration, Texas Tech University,
Lubbock, TX 79409, United States*

^b *School of Management, George Mason University, 4400 University Drive, MSN 5F4,
Fairfax, VA 22030, United States*

Abstract

In this study, we experimentally investigate accounting information's role in the individual donation process. Specifically, we manipulate the presence of service efforts and accomplishments (SEA) information in conjunction with a typical fundraising request. We then investigate whether donors obtain comparative financial accounting information for the purpose of maximizing donation efficiency.

In our experiment, potential donors felt that fundraising requests containing SEA disclosures were more informative than typical fundraising pleas. In addition, supplementing a standard fundraising request with summary SEA information significantly increased (1) the quality perception of the requesting charitable organization and (2) the percentage of potential donors who claimed they would donate to the requesting organization in the future. However, SEA information did not translate into increased *actual* giving in our study.

* Corresponding author. Tel.: +1 703 993 1755; fax: +1 703 993 1809.

E-mail addresses: buchheit@ba.ttu.edu (S. Buchheit), lparsons@gmu.edu (L.M. Parsons).

¹ Tel.: +1 806 742 1542.

Our experiment next offered *actual* donors the opportunity to obtain comparative financial information for the purpose of verifying efficient giving (i.e., donors could compare the soliciting organization to a similar organization). Although the majority of actual donors were unwilling to obtain this information, the vast majority of those viewing financial accounting information donated to the organization with the highest program-spending ratio. As such, our results support two seemingly opposed contentions: (1) only a minority of individual donors request and use financial information, however, (2) there is a need for increased accuracy of not-for-profit expense classification.

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1. Introduction

Charitable donations by individuals have grown from \$110 billion in 1990 to \$164 billion in 2001 (Byrne, 2002, p. 83). These donations represent approximately two percent of the US gross domestic product (Strom, 2002, p. A19) and are three times greater than the combined charitable donations made by corporations, bequests, and foundations (Byrne, 2002, p. 89). Despite the dollar amounts involved, systematic knowledge of accounting information's influence in not-for-profit (NFP) settings is undeveloped relative to our knowledge of accounting information's influence in for-profit settings (Parsons, 2003, p. 104). In the context of individual giving, only recently have accounting researchers (1) outlined a framework to consider when, why, and if individuals might request and use NFP accounting information (Gordon and Khumawala, 1999, pp. 42–45), (2) demonstrated a positive association between favorable financial accounting information and total individual giving (Callen, 1994, pp. 222–225; Tinkelman, 1999, pp. 148–151),² and (3) shown that potential donors' exposure to favorable accounting information can directly cause increased individual donations (Parsons, *forthcoming*).

The current study advances our knowledge of accounting information's influence on individual giving decisions by experimentally modeling a common medium for individual fundraising requests – direct fundraising solicitations. Specifically, in our laboratory setting, we manipulate fundraising requests to either include or exclude service efforts and accomplishments (SEA) information. Broader in nature than pure financial accounting information, SEA

² Callen and Tinkelman extend a model originally developed in the economics literature (Weisbrod and Dominguez, 1986, p. 86) in order to focus on the association between financial accounting and charitable donations.

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