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# Trust, Accreditation, and Philanthropy in the Netherlands

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*Given the increasing numbers of scandals, the awareness among fund-raisers that the public's trust is crucial for the nonprofit sector is growing. This study investigates the relationship between trust and charitable giving. Charitable organizations can increase the public's trust by signaling their trustworthiness. The example of the Netherlands shows how a system of accreditation can be an instrument for signaling trustworthiness to the public. Donors aware of the accreditation system have more trust in charities than those who are not aware, and they give more money to charitable causes. Charitable organizations have only limited control over the public's trust because it is also rooted in a general social trust in institutions and fellow citizens. It was shown that general social trust increases the amount people give to charitable causes, even more so when people know about the accreditation system. Finally, the conditions for introducing an accreditation system are discussed.*

**Keywords:** *philanthropy; trust; charitable giving; accreditation; fund-raising*

Philanthropic organizations strongly depend on the public's trust. Donors often do not know what happens exactly to their donations, how much is saved for overhead costs, and where the money is actually spent. This lack of transparency is dangerous because an occasional media report of poor performance and misallocation of funds may easily scandalize the entire philanthropic sector. In this study, the issue of trust is investigated from a practical

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and a scientific perspective. In the first part of the article, several theoretical perspectives on the relevance of trust for charitable giving are discussed. In the second part, it is investigated whether the introduction of an accreditation system in the Netherlands was an effective instrument for ensuring the public's trust. In the third part of the article, it is investigated whether trust in fellow citizens, which is often considered to be a very important indicator of social capital, actually increases donations to charities. Finally, the conditions for introducing an accreditation system are discussed.

### THE THEORETICAL ISSUES OF TRUST

Theories from very different disciplines such as economics, legal theory, and political science imply that trust is of crucial importance for charitable giving. In economic and legal theory, the existence of nonprofits next to public agencies and for-profit corporations is assumed to be based on the greater trustworthiness of nonprofits due to the nondistribution constraint: Nonprofits are not allowed to distribute profit to private parties (Hansmann, 1980, 1987, 1996; Rose-Ackerman, 1996). According to this theory, nonprofits should be most active in situations of asymmetric information: When it is hard to get reliable information on the quality of the services provided, the nonprofit character of the service provider signals trustworthiness to the donor. In line with this theory, nonprofits are most active in social services and the health sector (Hansmann, 1987; Heitzmann, 2000).

But how can donors ascertain whether their trust in nonprofits is legitimate? How can donors make sure that nonprofits do not violate the legal nondistribution constraint? Nonprofit employees may be more strongly motivated by the welfare of others than those working in the market sector, but they are no saints (Ortmann & Schlesinger, in press; Swords, 1999). A growing list of scandals has put the public's trust under pressure. The problem is that donations are voluntary gifts that do not constitute any legal rights for the donor. Whatever it is that donations buy (Harbaugh, 1998), they do not give donors the legal right to know what happens with the donation, let alone a mechanism of control over the allocation of funds. Others have lamented the lack of legal instruments and institutions to enforce this nondistribution constraint (Fleishman, 1999; Ortmann & Schlesinger, in press; Swords, 1999), assuming that more strict enforcement prevents misconduct. Compared to the Netherlands, which will be the case studied in the empirical part of this study, transparency rules are fairly strict in the United States. The public availability of Form 990 required by the IRS enables donors to decide for themselves whether a nonprofit is trustworthy. However, Form 990 is often difficult to understand (Swords, 1999), and consultation of Form 990 for every charity

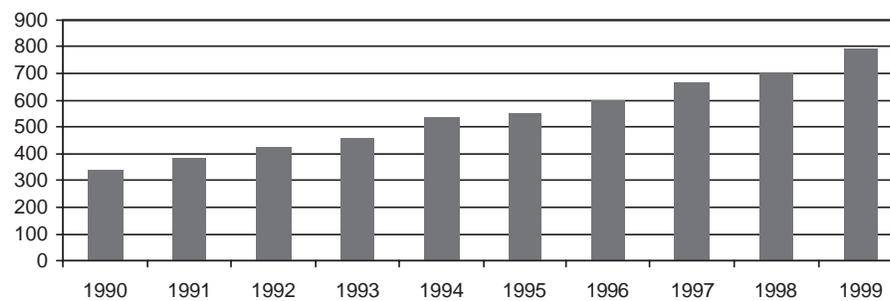
soliciting a donation creates transaction costs that donors are not willing to make. The lack of transparency—or rather the costs of information on accountability—constrains rational decision making on donations. Consequently, donors do not favor nonprofits with a lower level of expropriation of funds as would be expected by a rational actor perspective (Klick, 2000). In the absence of perfect information, or high costs of information, donors rely on their impression of trustworthiness. In the first empirical part of this article, it will be shown that charities can signal their trustworthiness to the public by using an accreditation seal, generating more trust, and hence, more—and higher—donations.

The recent outburst of scholarship on “social capital” in political science and sociology (Coleman, 1990; Putnam, 2000) also suggests a key role of trust for charitable giving. Trust is often regarded as an ingredient of social capital, next to social networks and civic engagement (volunteering and charitable giving). One of the claims in this discussion is that civic engagement breeds a general social trust in fellow citizens (Putnam, 2000). However, one could also argue that the causal mechanism is the other way around: Some people are more trusting than others, and those with a higher level of trust are more likely to be engaged in voluntary associations than those with lower levels of trust (Uslaner, 2002). The empirical evidence on the relationship between trust and civic engagement in the Netherlands is very thin (Dekker, 2002). If there is a relationship, it seems that it is due to self-selection of those with higher levels of trust in voluntary associations (Hooghe, 2002; Stolle, 2001). Previous research has investigated exclusively the relationship of trust with membership and volunteering. In the present study, the relationship of trust with charitable giving is investigated. There are good reasons to expect that social trust will be more strongly related to giving money than to giving time, and there are also good reasons to expect that the relationship runs from trust to giving and not vice versa. Because charitable donations are usually anonymous, donors usually do not know the other donors, nor do they know the recipients. This holds most strongly for donations that charities receive through bank transfers, which make up the majority of charitable giving in the Netherlands. To the extent that volunteers collect money, they are usually persons who are unknown to the donors. It is hard to imagine how people can evolve into trusting human beings through the exchange of some small change for a “thank you” by a strange person collecting money for a charity, let alone through anonymous donations by writing a check. It is much more likely that somehow, some people acquired a higher level of trust in fellow citizens than others and that these preexisting differences affect the willingness to give to charitable causes. In the second empirical part of this article, it will be shown that the level of general social trust is in fact positively related to the amount of money donated to charitable causes in the Netherlands.

**Table 1. Fund-Raising in the Netherlands, 1990-1999 (in million €)**

Year	Fund-Raising Income	Costs of Fund-Raising	Cost-Income Ratio (percentages)
1990	342	51	14.9
1991	386	48	12.4
1992	429	63	14.6
1993	464	69	15.0
1994	539	71	13.1
1995	555	81	14.6
1996	602	88	14.7
1997	668	91	13.6
1998	706	102	14.4
1999	792	105	13.2

Source: Central Bureau on Fundraising, 1994, 1999.

**Fundraising income in the Netherlands (million €)****Figure 1. Fund-Raising Incomes in the Netherlands from 1990 to 1999**

### THE EMPIRICAL ISSUE: DOES ACCREDITATION INCREASE THE PUBLIC'S TRUST?

#### THE EMERGING PHILANTHROPIC SECTOR IN THE NETHERLANDS

In the last decade of the 20th century, philanthropy in the Netherlands has grown substantially. The annual reports of the Centraal Bureau Fondsenwerving (CBF; Central Bureau on Fundraising) show a steady increase in the amount of money that charitable causes receive (see Table 1 and Figure 1). It is noteworthy to see that the costs of fund-raising increased as well but not the cost-income ratio.<sup>1</sup> The cost-income ratio is also much lower than in the United Kingdom, which is at 23% (Brecknell, Palmer, & Penney, 1999). We will return to this issue later.

As fund-raising income grew steadily, a process of professionalization occurred. Fund-raisers and other charitable organizations have arranged themselves into several branch organizations. More and more charitable organizations employed paid staff workers for fund-raising. In 2001, a department of philanthropy was established at the Free University, Amsterdam, combining the efforts of a group of scientific researchers, lead by professor Theo Schuyt. In his inauguration lecture, Schuyt (2001) described the developments as the emergence of a philanthropic sector in the Netherlands.

#### THE DUTCH ACCREDITATION SYSTEM

In 2000, more than 50% of the Dutch population was dissatisfied with the lack of control on fund-raising practices. Almost 50% were dissatisfied with the costs of fund-raising and a lack of information on the way that charitable causes spend their funds (Schuyt et al., 2000). Although there are no prior measurements on these issues available, all parties in the fund-raising market have the impression that accountability and transparency are becoming more and more important issues. The need for transparency is even larger in the United Kingdom and the United States. A survey in the United Kingdom 5 years ago showed that donors perceived a lack of information on the "use of income and the cost of administration, the salaries of top bosses, how many pence in a pound actually reaches recipients, and so on. 73% of respondents said they liked to know how much of their donation went on administration costs" (National Council for Voluntary Organisations [NCVO], 1998, p. 4). A survey sponsored by the Better Business Bureau (BBB) Wise Giving Alliance, conducted in September 2001, showed that the situation in the United States is similar: A total of 79% of Americans say "it is very important to know the percentage of spending that goes toward charitable programs," whereas 70% of Americans say "it is difficult to know whether or not a charity asking for their support is legitimate" (Princeton Survey Research Associates, 2001). Although question wordings differ in the United Kingdom, the United States, and the Netherlands, a vast majority of the public in the United States and the United Kingdom expresses concerns about the trustworthiness of charitable organizations, whereas only half of the Dutch public does so.

At the end of the previous century, organizations involved with fund-raising activities in the Netherlands recognized the need to give more information to the public to ensure support for charitable causes in the future. Charitable causes depend on the public's trust. As more and more organizations are active in fund-raising, the danger of malicious practices increases. Because the Dutch legal system does not impose strict rules on fund-raising activities and because tax-exempt conditions do not require publication of annual reports and other detailed financial information, the fund-raising market is open to those with a fake cause. A single media report of poor performance and misallocation of funds may easily scandalize the entire philanthropic sector. To prevent this kind of malpractice, the branch organization of

fund-raisers created a list of rules for its own members. However, this form of self-regulation does not yet prevent nonmembers of the branch organization from endangering the entire sector. For fund-raisers, the public's trust is also a public good in the economic sense: All fund-raisers profit from the public's trust, but there is no specific incentive for individual causes to conform to rules on fund-raising or contribute to collective initiatives to increase trust in the entire sector. This pattern of incentives creates free-riding behavior among fund-raisers (Schuyt et al., 2000). Recognizing this threat, the CBF has designed an accreditation system. To be accredited, philanthropic organizations have to abide by strict rules on financial management, allocation of resources, and reporting to the public. The most important rules are the following:

- Of all acquired funds, not more than 25% may be spent on costs to acquire funds. At least 75% of all acquired funds should be spent on the organization's goal. Costs for spending money depend on the organization's goal.
- Fund-raising activities must be aimed at voluntary contributions. Comparing the own organization to other charities is prohibited.
- All members must publish an annual report to the public, according to the rules of the CBF, specifying costs and so on, including an accountant's report and a policy evaluation. The CBF checks the annual reports.
- Fund-raising organizations may select members for the board on their own: The CBF has no direct influence on the selection of board members. The board must consist of at least five independent unpaid volunteers. They may not be related to each other through family or similar ties and must avoid conflicts of interest.
- The board must publish a policy plan for the coming years, in which the policy, the activities, and the expenses are described clearly.
- The organization must recognize the complaint procedure of the CBF.
- Accredited organizations are evaluated every 5 years by the CBF. If they do not conform to the criteria above, the permission to use the seal can be withdrawn.

Because participation in the system is voluntary, accredited philanthropic organizations stand out as more trustworthy to the public than nonaccredited organizations. Accreditation gives charitable organizations the right to use an accreditation seal (see logo, Figure 2) to signal their trustworthiness to the public. The introduction of the system decreases the risk of free riding: Causes that do not have the right to bear the accreditation seal will be less successful in fund-raising. Theoretically, what happens from the perspective of nonprofits is that the public good nature of the public's trust in charitable causes is partly privatized. Fund-raisers can "buy" legitimacy by conforming to the rules and bearing the seal. Currently, about 200 fund-raising charities (out of an estimated total of 400 that are active in the Netherlands) may use the seal. To-



Figure 2. The Accreditation Seal (CBF-Keur)

gether these charities represent about 90% of the total fund-raising market (CBF, personal communication, November 2002). From the perspective of donors, relying on the accreditation seal can be viewed theoretically as a strategy to cut down on the transaction costs of a donation: Instead of deciding on the accountability of the charity themselves, donors take the seal as a signal of trustworthiness.

However, the success of the system is dependent on the public's awareness of the accreditation system. To increase this awareness, a television campaign was launched in December 2000. In the first part of this article, we will investigate the success of the media campaign to increase the awareness of the accreditation system. Later on, we will investigate how awareness of the system is related to trust in charitable causes. How strongly and in what way does trust increase donations? To investigate these questions, a distinction is made between the trustworthiness of charitable causes and trust among donors. Charitable causes can signal their trustworthiness to donors with the accreditation seal. However, giving also takes a basic level of trust in institutions and fellow citizens among the public.

#### KNOWING THE ACCREDITATION SEAL

To investigate the effect of the media campaign, data from two poll surveys are used. The first survey of 1,017 respondents was held prior to the promotion campaign, in November 2000 (Schuyt et al., 2000). The results of this poll were presented at a symposium celebrating the 75th anniversary of the CBF. At the same symposium, the television commercial promoting the accreditation seal was presented for the first time. In December 2000, the promotion campaign started. The second survey of 1,707 respondents dates from May/June 2002 (Schuyt, 2003). Both surveys used a sample representative of the

Dutch population and asked whether the respondents knew the "CBF-Keur." In the first survey, additional questions were asked about the satisfaction with fund-raising practices of charitable causes. The second survey contained additional questions on trust in fellow citizens and charitable causes.

Table 2 shows that the promotion campaign to increase the awareness of the accreditation system among the Dutch population has worked well: Awareness of the CBF-Keur nearly doubled from 16.5% to 31.5%. As in 2000, older people and persons with a higher level of education are more often aware of the accreditation system. The awareness of the CBF-Keur grew more strongly among persons under 35 years of age and with lower education. This is probably due to the fact that these groups watch more television, one of the media that were used for the promotion campaign. The small gender difference from 2000 has vanished in 2002. In 2000, females were more likely to know the CBF Seal. Since 2000, more females as well as males have become aware of the accreditation system. However, the increase of the awareness among men was larger than among women. The greater increase among men closed the gender gap.

#### TRUSTWORTHINESS AND DONATIONS: DOES KNOWING ABOUT THE ACCREDITATION SYSTEM INCREASE TRUST?

The accreditation system was designed to increase trust in charitable causes by signaling trustworthiness to the public. The confidence of the councils of the philanthropic sector in the accreditation system is justified by the results of the first edition of the Giving in the Netherlands panel survey that was held in May/June 2002 (Schuyt, 2003). The survey shows that people who know the accreditation seal are actually more trusting of charities than people who do not. In Table 3, the level of trust in a number of religious charitable causes possessing the seal is compared between those who know the CBF-Keur and those who do not.

The respondents were asked how much trust they had in five charitable causes in the area of international solidarity. Because these questions were part of a separate study on religious motives for charitable donations, they were asked of protestant Christians only ( $n = 509$ ). Response categories were 1 (*don't know this charity*), 2 (*little trust*), 3 (*some trust*), 4 (*considerable trust*), and 5 (*very much trust*). A factor analysis revealed two factors, eigenvalues 1.81 and 1.27, explaining 36.3% and 25.5% of the variance, respectively.<sup>2</sup> Factor scores have a mean score of zero. The results from a one-way ANOVA show that respondents who knew the accreditation seal report above average trust in both kinds of charitable causes (these respondents have factor scores above zero), whereas those who do not know the accreditation seal have trust levels below average (these respondents have factor scores below zero). These differences are significant. The differences remain significant when households that do not donate to charity at all are excluded and the analyses are run on donors only ( $F$  values of 4.000 and 10.238,  $p < .046$  and  $p < .001$ , respectively).

**Table 2. Awareness of the Accreditation Seal (CBF-Keur)<sup>a</sup> in 2000 and 2002**

	2000 <sup>b</sup>	2002 <sup>c</sup>	Increase	In %
Knows the CBF-Keur	16.5	31.5	15.0	90
Male	18.0	31.5	13.5	75
Female	15.1	31.6	16.5	109
Younger than 35	8.5	29.9	21.4	252
35-54	13.4	27.8	14.4	107
55 and older	25.3	38.0	12.7	50
Lower education	10.3	26.4	16.1	156
Middle education	14.1	32.1	18.0	128
Higher education	26.0	36.6	10.6	41

a. CBF = Central Bureau on Fundraising.

b. Source: Schuyt et al. (2000),  $N = 1,017$ .

c. Source: Giving in the Netherlands panel survey 2002,  $N = 1,707$ .

**Table 3. Trust in Two Types of Charities by Awareness of the Accreditation Seal**

Knows Accreditation Seal	<i>Kerk in Actie, Memisa, Mensen in Nood (Factor Score)</i>	<i>ICCO, Cordaid (Factor Score)</i>
No	-0.096	-0.128
Yes	0.127	0.170
F value	6.281*	11.332***

Source: Giving in the Netherlands panel survey 2002,  $n = 509$ .

\* $p < .05$ . \*\*\* $p < .001$ .

When key variables affecting donations such as education, household income, age, and church attendance are entered as covariates, the differences weaken somewhat but remain at acceptable levels ( $F$  values of 3.685 and 4.078,  $p < .056$  and  $p < .044$ , respectively), indicating that trust is not only a function of sociodemographic variables and prior giving but also of the awareness of the accreditation system. In sum, the results indicate that accreditation increases trust among donors.

#### WHY THE ACCREDITATION IS NOT A PANACEA FOR TRUST

Although the CBF-Keur is definitely a valuable tool for the philanthropic sector in the attempt to signal trustworthiness to the public, it is not a guarantee for trust in charitable causes. Introducing an accreditation system does not automatically increase trust in the philanthropic sector. In 2000, the CBF-Keur was more well known among older persons and the more highly educated (see Table 2). In the meantime, older persons reported more dissatisfaction with charitable causes in general, whereas the more highly educated were no more satisfied than the less educated (Schuyt et al., 2000). In other words, knowing that an accreditation system exists does not automatically mean that the opinion on charitable causes is always positive.

A similar lesson can be learned from Table 4, in which we use data from a poll survey on trustworthiness of charitable causes among 812 Dutch persons (Research and Marketing, 2002). In the survey, respondents were asked to estimate "the percentage of the total amount of donor contributions that is actually used for the cause." Unfortunately, this phrase in the questionnaire is not very explicit: Some respondents may think of the costs for fund-raising only, whereas others may also include other administrative costs and salaries for paid staff workers as well. In spite of the fuzzy interpretation of the question, the estimation by the respondents was subtracted from 100% to derive the proportion of donor money that the respondents think is not used for the goals of the receiving charitable cause. On average, the Dutch population thinks that 43.5% of the money that charitable causes receive from donors does not reach the supported cause. A comparison with the final column of Table 1 shows that this estimated proportion is more than three times the actual cost-income ratio of charitable organizations (13.2%). It seems that the Dutch public vastly overestimates the costs that charitable causes make in fund-raising: The actual costs are some 30% lower than the estimated costs. However, a more conservative and perhaps more realistic interpretation of these data is that the Dutch public regards (a part of) the costs that have to be made for reaching the charities' objectives—such as personnel costs for carrying out projects—as a waste of money. Whatever may be the case, the charitable sector has to make an effort in communicating more clearly how exactly they spend their money.

The introduction of the accreditation seal may have increased trust in charitable causes, but the results in the first column of Table 4 show it has not made the estimated costs of fund-raising among the public more realistic. There is a lot of work to do for fundraisers in correcting this overestimation. More information to the public about the actual fund-raising costs is a simple but valuable tool in this regard. On average, the public thinks that a cost-income ratio of 17.2% is an acceptable figure (see second column). Table 1 shows that the actual costs do not differ much from this preference. The councils of fundraisers should make use of this information. Fund-raisers are not doing as badly as the Dutch public thinks.

Table 4 also shows that there are no gender or age differences in the estimated or desired cost-income ratio. Again, this result shows that knowing that an accreditation seal exists does not automatically make people's opinions with regard to charitable causes more positive. Older people are more likely to know the accreditation seal (see Table 2), but they overestimate the cost-income ratio to the same degree as young people. Education, however, makes a difference: Those with the lowest levels of education think almost 50% of the money does not directly reach the cause, although they prefer this to be only 13%. The difference between estimated and preferred costs is lowest among the more highly educated: They estimate a lower actual cost (42.1%) and accept a higher cost (19.1%). Table 2 showed that the more highly educated are actually more likely to know the accreditation seal.

Table 4. Estimated and Preferred Cost-Income Ratios

	<i>Proportion of Donation That Is Not Used for Goal</i>	<i>Maximum Preferred Proportion</i>	<i>Difference</i>	<i>n</i>
Whole population	43.5	17.2	26.8	812
Male	43.9	17.6	27.2	373
Female	43.2	16.8	26.5	387
Younger than 35	43.1	17.5	25.5	244
35-54	42.9	16.0	27.5	372
55 and older	45.8	19.7	27.2	144
Lower education	48.2	13.0	36.1	69
Middle education	44.2	15.9	28.4	304
Higher education	42.1	19.1	24.0	386

Source: Research and Marketing, 2002,  $N = 812$ .

To investigate the effects of a distorted picture of cost-income ratios, Table 5 shows partial correlations (controlling for age and education) between indicators of trust, charitable giving, and motives for philanthropic behavior. The poll survey contained a number of questions on trust asking for six different charities "How trustworthy do you think that [organization] is?" with response categories ranging from 1 (*very untrustworthy*) to 4 (*very trustworthy*). Four of these organizations were charitable organizations supporting development in poor countries; two of these organizations were lotteries supporting charitable causes operating mainly in the Netherlands. Factor analysis showed that trust in the four charities in international solidarity (Factor 1, with an eigenvalue of 2.54, explaining 42.3% of the variance) and trust in lotteries (Factor 2, with an eigenvalue of 1.13, explaining 18.8% of the variance) formed separate dimensions. Furthermore, the poll survey offered the respondents the possibility of mentioning up to 15 different charitable organizations they supported. A large minority of 45.6% did not mention any organization; 21.3% reported 1 organization; 12.3% reported supporting 2 organizations; the remaining 13.3% reported supporting 3 up to 15 charitable organizations. Finally, the survey asked two questions on motives for donating to charitable causes: "I support charitable causes out of pity for those in need" and "I support charitable causes because I want to do some good in the world," response categories ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). The responses to this question formed a moderately reliable scale (Cronbach's alpha = .45).

Table 5 shows that persons who have a more realistic picture of cost-income ratios and who perceive a smaller difference between estimated and acceptable cost-income ratios have more trust in charities, support a higher number of charitable causes, and have more "moral" motives for giving. The correlations are not very high, but they are very consistent and remain significant after controlling for age and education. These results suggest that more information on the actual costs of fund-raising can increase trust in the philan-

**Table 5. Correlations of Estimated Cost-Income Ratios With Trust in Charities, Number of Charities Supported, and Moral Motives for Philanthropy**

	Overestimation of Cost-Income Ratio	Difference Between Estimated and Acceptable Cost-Income Ratio
Trustworthiness of international solidarity causes	-0.149***	0.157***
Trustworthiness of foster parents plan	-0.119**	0.216***
Trustworthiness of lotteries supporting charities	-0.080*	0.134***
Trust in charitable causes in general	-0.111**	0.178***
Number of charities supported	-0.133***	0.146***
Moral motives for philanthropy <sup>a</sup>	-0.119*	0.166**

Source: Research and Marketing, 2002.

Note: Entries represent partial Pearson correlations, controlling for age and education.  $N = 715$ .

a. Among donors only ( $n = 414$ ).

\* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .

thropic sector and may lead to more donations. Unfortunately, the survey lacked information on the amounts donated. In any case, those who have a more realistic picture of cost-income ratios support a greater number of charitable causes. The challenge for the Dutch philanthropic sector is to correct the overly negative picture of cost-income ratios in a more favorable direction.

#### DOES GENERAL SOCIAL TRUST INCREASE DONATIONS?

Giving is a matter of trust. Donors usually lack information about the way their money is spent. They can only trust that the charitable organization spends the money in a sensible way. In the previous analyses, we have focused on the way charitable causes themselves can signal trustworthiness to donors. But trust is a double-sided coin: It takes not only trustworthiness of the trustee but also a basic trusting attitude of the trustor. A certain level of trust in institutions, as a leap of faith, overcomes this problem. Trust in institutions is closely related to a more general trust in mankind, which is also called general social trust (Dekker, 2002; Putnam, 2000). This refers to a trusting attitude toward other people in general. This source of trust is beyond the control of charitable causes because it is linked to more general developments in society, for instance, in levels of income inequality (O'Connell, 2003; Putnam, 1993) and crime (Rosenfeld, Messner & Baumer, 2001). Although charitable causes can do little to alter these trends, they determine to an important extent the level of trust in the philanthropic sector in a given society.

The Giving in the Netherlands survey, held in May/June 2002 among a representative sample of 1,707 Dutch persons (Schuyt, 2003), provides evidence for the claim that general social trust increases donations. The survey contained two statements concerning trust: "In general, most people can be trusted" and "You can't be too careful in dealing with other people." Response categories ranged from 1 (*completely disagree*) to 5 (*completely agree*). The

responses to these two statements were correlated strongly enough ( $r = .398$ ) to be averaged into one trust score.<sup>3</sup> Because the relationship of trust with donations may be nonlinear, such as when trust is related to donations only when it is above a certain threshold, dummy variables for groups of respondents with the same trust scores except for those with the lowest trust scores (who formed the reference category) were included in the analysis.<sup>4</sup> Because a similar argument can be made for age and education, the same procedure was followed for age (respondents aged 18 to 34 being the reference category) and the level of education (those with the lowest levels of education being the reference category).

A regression analysis of the amount donated to charitable causes by households in 2001 (see Table 6, Model 1) shows that individuals who are more trusting donate more money but that this effect is indeed nonlinear. The difference between those with the highest trust score (5) and those with the lowest trust score (1) is € 112. The differences between the respondents with intermediate trust levels and the reference category of respondents with very low trust are not significant. The beta coefficient for the highest trust level (.083) shows that the effect of trust is not very large compared to the effects of church attendance (.335) and belonging to the highest age group (.136). However, the trust effect is comparable to the effect of household income. The effects of age and education are pretty close to linearity. The basic finding that trust is in fact related to donations is in line with U.S. data from the Independent Sector (2002). The Independent Sector reports a 50% difference in the annual contribution to charity between those with a high and low level of trust in charities. This figure should be compared to our estimation with caution. The 50% difference reported by the Independent Sector is an overestimation of the net effect of trust because relevant control variables such as age and education were not taken into account.<sup>5</sup>

Another interesting result in Table 6 is that those who know the accreditation seal give € 71 more than those who do not. It should be noted that this difference does not necessarily prove that the accreditation seal increases the amount donated. It is possible that large donors learned about the seal only after their donation because the cause they were supporting anyway acquired the right to bear the seal. In any case, it is good to know that large donors know the seal: This will probably reinforce their trust.

A further qualification of the optimism becomes evident from Model 2. In this analysis, an interaction term was added to Model 1 to investigate whether the effects of general social trust and knowing the accreditation seal were simply additive. In that case, spreading awareness of the accreditation system could compensate for a low level of trust among nondonors to make them more supportive of charitable causes. Model 2, however, shows that the effect of knowing the accreditation seal and general social trust are not additive but interactive. Knowing the accreditation system increases donations much more strongly for those who have a higher than average level of trust in others. In Figure 3, this interaction is depicted. Among those with a low level of trust,

Table 6. Regression Analysis of Amount Donated in €

	Model 1			Model 2		
	B	(SE)	Beta	B	(SE)	Beta
Female (0-1)	15.05	(14.32)	.023	15.27	(14.30)	.024
Age (reference: 18-34)						
35-54	47.61	(17.50)	.072**	47.37	(17.48)	.071**
55 and older	96.08	(18.91)	.136***	95.34	(18.89)	.135***
Education (reference: lower)						
Middle	47.13	(17.71)	.067**	46.94	(17.69)	.067**
Higher	79.17	(18.17)	.116***	78.01	(18.16)	.114***
Household income (x€1000)	0.97	(0.21)	.080***	0.98	(0.27)	.080***
Church attendance (times per year)	5.89	(0.39)	.335***	5.86	(0.39)	.333***
Trust (reference: 1)						
2	8.95	(51.03)	.011	6.43	(50.97)	.008
3	-1.83	(50.29)	-.003	-8.69	(50.27)	-.012
4	21.38	(50.00)	.032	8.25	(50.11)	.013
5	111.72	(56.44)	.083*	91.75	(56.66)	.069
Knows the accreditation seal (0-1)	70.58	(15.59)	.101***			
Trust × Know Accreditation (Constant)	-66.99	(56.99)		23.20	(4.62)	.115***
Adjusted R Square			.179			.181
F value (df)			31.89*** (12)			32.37*** (12)

Source: Giving in the Netherlands panel survey 2002,  $N = 1,706$ .

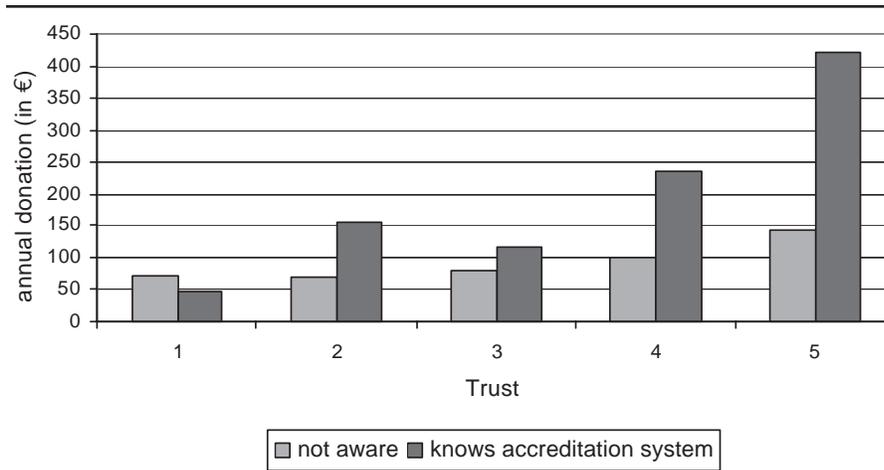
\* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .

those who know the accreditation seal report equally high annual donations as those who are not aware of the system. However, among those with the highest levels of trust, those who do not know the accreditation system give € 143; knowing the accreditation system more than doubles donations to € 423. Model 2 of Table 6 shows that by including the interaction, the effect of the dummy variable for the highest level of general social trust declines somewhat and drops below conventional levels of significance ( $\beta = .069$ ;  $p < .106$ ).

In sum, the results show that general social trust is related to higher donations to charitable causes and that this relationship is most pronounced among those who are aware of the existence of the accreditation system. Because charitable giving is often anonymous, especially when large amounts are donated through bank transfers, the causal direction probably runs from trust to donations, as argued by Uslaner (2002), and not from donations to trust.

#### IMPLICATIONS FOR THE NONPROFIT SECTOR

In the previous sections, evidence was presented from survey data on the importance of accreditation and general social trust for donative behavior in



**Figure 3. Effect of Knowing the Accreditation Seal on Annual Donations (in €) by Level of General Social Trust**

Source: Giving in the Netherlands panel survey 2002,  $N = 1,707$ .

the Netherlands. But what are the implications for nonprofit sectors in other countries of this evidence? Why would it be important to know for practitioners in the nonprofit sector that general social trust is related to donations? This becomes clear when we take a look at the diverging trends in social trust in the Netherlands, the United Kingdom, and the United States. In the Netherlands, trust in fellow citizens is rising. In 1972, only 38% agreed with the statement "most people can be trusted." In 1998, this proportion had increased to 55% (Social and Cultural Planning Office [SCP], 1999). In contrast, in the United States (Putnam, 2000) and the United Kingdom (NCVO, 2000) trust levels are falling. In 1960, 58% of the U.S. population agreed with the statement, which decreased to 35% in the 1990s. In the United Kingdom, trust levels also decreased sharply, from 59% in 1959 to 30% in 1999. The trend of increasing trust in the Netherlands is a positive development for the philanthropic sector. Because trust in charitable causes is related to general social trust and trust in other institutions, the number of charities receiving donations will probably increase in the future. Right now, trust in charitable causes in the Netherlands is already high, at about 70% of the population agreeing that charitable organizations are trustworthy (SCP, 1999). Unfortunately, the situation in the United Kingdom and the United States is very different. For charitable causes in the United Kingdom and the United States, decreasing levels of trust in general and in charitable causes in particular increase the need to signal trustworthiness to the public by more transparency in accounting. The "donor expectations survey" by the BBB Wise Giving Alliance showed that 84% of Americans were sympathetic to the idea of introducing an accreditation seal similar to the one that exists in the Netherlands (Princeton

Survey Research Associates, 2001). The issue becomes even more important given the recent drop in trust in charitable causes: “the percentage of people who say they have no confidence in such organizations has doubled since July 2001, to 16%” (Salmon, 2002).

Although the poll data suggest that Americans are sympathetic to the idea of an accreditation seal, whereas the need for signaling trustworthiness to the public in the United Kingdom and the United States is enormous, given their lower—and decreasing—levels of trust, one has to be careful with the simple recommendation that other countries should follow the Dutch example. Although the Dutch system seems to resemble a proposal of Joel Fleishman (1999) for the United States, it is questionable whether a system that works in the Netherlands will work elsewhere. A number of specific circumstances of the Dutch situation need to be highlighted.

A first characteristic of the Dutch situation in the philanthropic sector is that it is a comparatively small market. A prerequisite for an accreditation system is that it is the result of efforts of self-regulation of as many fund-raising organizations as possible. Legal requirements on accountability enforced by governments and the efforts of independent charity watchdogs are not enough; self-regulation must complement these requirements (Bothwell, 2001; Hirshhorn & Stevens, 1997; Swords, 1999). It is also important that as many fund-raisers as possible support the initiatives, operating as a collective. The system is less credible when several subgroups of organizations create their own rules. Almost all charities in the Netherlands are members of the CBF, although only half of them have the right to use the accreditation seal. In a country such as the United States, with a much larger philanthropic sector, it is much harder to solicit the cooperation of all charities. Furthermore, a system enlarging the scope of federal government intervention may be hard to establish in the United States. One solution to this problem is to rely on local initiatives of self-regulation, such as the Maryland system that will be discussed below.

A second property of the Dutch situation is that the accredited organizations have to conform to clear and strict rules. The 40% cost-income ratio indicated as the maximum in the United Kingdom (Brecknell et al., 1999) is much too high. On average, the Dutch public is willing to accept a maximum of 17%. Research by the BBB Wise Alliance shows two thirds of Americans think that 20% is the maximum (Princeton Survey Research Associates, 2001). Enforcement of these standards is of crucial importance (Bothwell, 2001; Swords, 1999). Therefore, all charities with the accreditation seal are evaluated every 5 years. One may argue that this period is too long. However, more frequent evaluations would require a lot more personnel at the CBF. Still, the Dutch system seems to work just as well as the English system, which, in fact, has much more personnel available—even when the larger size of the British philanthropic sector is taken into account.

A third characteristic of the Dutch situation is that the accreditation system in the Netherlands is supported by an effective effort in publicity through the

mass media. The only way an accreditation system can work effectively is when the public knows about the initiative. Although this report has shown that more and more people know the system, it is a far cry from common knowledge. Four in five households in the Netherlands make charitable contributions, but less than a third know the accreditation seal.

A fourth characteristic of the Dutch situation is that trust in charitable causes was already quite high before the accreditation system was introduced. This means that an accreditation system is more valuable in the United States or United Kingdom than in the Netherlands. The more cynical citizens are, the more useful an accreditation system will be. On the other hand, introducing such a system in the United States or United Kingdom will be more difficult and will require more media efforts, higher standards and more legal instruments to convince the more suspicious public.

Fifth, there are large differences in the composition of the philanthropic sector in general and the specific legal and fiscal context for charities between the Netherlands and the United Kingdom and the United States. An additional complicating factor in the United States is that each state may have its own legislation and corresponding institutions (Swords, 1999). Nonprofits in the Netherlands are more often supported by subsidies from the central government than in the United States and the United Kingdom (Burger & Dekker, 2001); private foundations and bequests make up a smaller share of the philanthropic sector in the Netherlands than in the United States (Schuyt, 2001); there is a stronger difference between private and public foundations in the Netherlands than in the United States (B. Gouwenberg, personal communication, May 24, 2002); and fiscal and legal conditions for tax exempt status are more lenient in the Netherlands than in the United States. These differences can be important, although it is unclear how and to what extent. There are jigsaw puzzles to be solved here. For instance, why do there seem to be more scandals in American philanthropy than in the Netherlands, although the possibilities of gathering financial information about charities through the IRS are much larger in the United States? Further research from a cross-national perspective is needed on the influence of these differences on trust in charities. Even though there are large differences between the American and the Dutch situation, the example of Maryland shows that accreditation works. The Maryland Association of Nonprofit Organizations has introduced a voluntary accreditation system, awarding a "Seal of Excellence" to nonprofits complying to a large number of standards, comparable to the Dutch standards. Since the introduction of the system, trust in charities increased to 89%, with 86% of Marylanders agreeing that a charity having a seal of approval for ethical standards and accountability given by a reputable association of Maryland nonprofits is important to them in making decisions about donations (Maryland Association of Nonprofit Organizations, 2002).

## CONCLUSION

This study showed that trust is an important factor for donations to charity in the Netherlands. Two aspects of trust were distinguished: trustworthiness of charitable causes and general social trust among donors. Philanthropic organizations in the Netherlands can signal their trustworthiness by conforming to the rules of the CBF, which gives them the right to use an accreditation seal. Donors who know about the accreditation system have more trust in charities than those who do not and give more money to charitable causes. The awareness of the accreditation seal among the Dutch public increased from 16.5% in 2000 to 31.5% in 2002 due to a media campaign. In spite of this effort, the Dutch public vastly overestimates the costs that are made in fund-raising. Trust in charities can be increased further by giving more information on actual cost-income ratios, because the public is willing to accept fund-raising costs that are even higher than the actual costs. It was also shown that those who have a more accurate picture of fund-raising costs have more trust in charities and support a higher number of causes. However, charitable organizations have only limited control over the public's trust because it is also rooted in a general social trust in institutions and fellow citizens. It was shown that general social trust increases the amount people give to charitable causes, even more so when people know about the accreditation system. Unfortunately, levels of general social trust in the United States and the United Kingdom have declined strongly in the past decades. This makes it worthwhile to think about the possibility of introducing an accreditation seal. The introduction of an accreditation system will not be easy. It is likely to be more successful (a) if the system is supported by the nonprofit sector itself, (b) if the system is used across the whole sector, (c) if the criteria for accreditation are clear and strict, and (d) if the public knows about the existence of the system. Fund-raising nonprofits and independent watchdogs should work together to reach these goals.<sup>6</sup>

## Notes

1. "Costs of fund-raising" only cover costs of public relations, direct mail, and other promotion costs and do not include costs of the implementation of projects serving the charity's objectives.

2. All five organizations are charities in the international solidarity sector. The three organizations that loaded high on the first factor are active in carrying out humanitarian projects in developing countries and are most well known among the public. The two organizations that formed the second factor are relatively unknown to the public because they are so-called cofinancing organizations (*Medefinancieringsorganisaties*). These are non-fund-raising umbrella organizations that receive a part of the budget of the Dutch government for Foreign Aid and decide which international solidarity charities receive money for which projects. *Kerk in Actie* (church in action) is not entitled to use the accreditation seal but *Memisa* and *Mensen in nood* (people in need) are.

3. Usually, these sentences form the two extreme poles of one question ("In general, would you say that most people can be trusted, or that you can't be too careful in dealing with people?").

Because the validity of this question is often criticized, the two statements were asked separately. It appears that the GSS question is valid.

4. I thank one of the anonymous NVSQ reviewers for pointing out this possibility.

5. Another difference is that the Dutch survey asked about trust in general, whereas the Independent Sector (2002) asked specifically about trust in charities. However, this difference should work in favor of the more specific question about trust in charities.

6. In the next edition of the Giving in the Netherlands panel survey, which will be held in 2004 among the same respondents as in 2002, it will be possible to compare those who did not know the accreditation in 2001 and learned about it with those who still did not learn about it. If the trust argument holds, the former group should have increased their donations more strongly than the latter. This comparison is a better test of the effect of the accreditation seal.

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