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Does Fundraising Generate Spillover Effects for Other Nonprofits?

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When bombarded with fundraising materials, it is only natural to question how much of one's donation is used for further fundraising efforts. Given the uniqueness of fundraising to the nonprofit sector, it is unsurprising that so many researchers have studied fundraising and its effect on charitable contributions. In this paper, we take a different view of fundraising and treat it as analogous to marketing in the private sector. We test whether fundraising by some organizations creates spillovers (or externalities) for others. A negative cross-elasticity, if you will, supports the competitive view of nonprofit organizations. Nonprofits fundraise to essentially pull money from other organizations within the defined market. If, however, there is a positive relationship, it suggests a more symbiotic relationship between nonprofits. Fundraising may help the organization outlaying the expense, but these fundraising efforts could bring light to a problem that attracts donations to other nonprofits as well. In other words, does fundraising affect how the pie of donor funds is divided, or does fundraising have the ability to increase the size of the pie?

Issues with estimation and specification will be explored with preliminary results available in the near future.