

## Original Article

### Voluntary donations to sports non-profit organizations

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Published online: October 30, 2020

(Accepted for publication: October 22, 2020)

DOI:10.7752/jpes.2020.s5407

#### Abstract:

The declared role of sports in public policy is high – governments seem to be committed to conducting an active sports policy. Citizens on the other hand declare to participate in provided sport activities and to voluntarily finance some of public services of non-profit organizations. Due to expert literature, there are eight determinants of voluntary giving behaviour – among those, the perception of existing need and donor values. Thus, at the heart of the decision about donating, there is a question: is the cause important and underfinanced? Basing on that assumption, the perception of sports - the citizens' willingness to donate to sports non-profit organizations - was assessed. The main scientific question was: are sports non-profit organizations important enough to collect donations? This assessment could give scientific basis for decisions made by non-profit organizations struggling with scarcity of financial resources. The system of Polish special non-profit organizations – *public benefit organizations* – was selected for the purposes of this analysis. The reason for the above choice was Polish system of interesting governmental tax instruments designed to encourage donations and an availability of financial data. In result, research based on financial reports of 176 active PBO' from kujawsko-pomorskie voivodship, with time range of years 2015-2018. 18% of those organizations were sport-oriented. Analysis of RBO's financial reports led to a conclusion, that sport is an important task and citizens are willing to participate in its financing by donations. Average Polish citizen did not choose sport-oriented PBO as a beneficiary of their 1% tax designation – however, it must be noted, that it concerns the *easiest* type of donation, often given with no consideration. The main conclusion was made, basing on the amounts of other voluntary donations and their importance to PBO's budgets. It seems, that in group of conscious Polish donors – those, that decide to donate fully voluntarily - the willingness to donate to sport-oriented organizations is not much lower than average for other PBOs. Probably, the number of donors is in that case lower, as a number of 1% personal income tax donors is much lower in that group of organizations. However, the total amount of donations suggests, that singular financial input of those donors is higher. Further research concerning number of donors is needed to fully understand the specifics of voluntary donations to non-profit sports organizations.

**Key Words:** *sports non-profit organization, willingness to donate, 1% of income tax*

#### Sport as a public task

Sport development-related activity has been important part of public policies ever since the end of 20<sup>th</sup> century. First rationale for sport's *governmentalization* was building engaged society based on national sports teams [Sotiriadou De Bosscher, 2017, p. 2]. On the other hand, *sport's for all* promotion has a potential to encourage citizens to physical activity and therefore has been implemented in health policy<sup>1</sup> [Eime et. al., 2015]. In many countries sport became an instrument used in managing policy issues such as social inclusion, community development and education [Green Collins, 2008 p. 225]. It has become, ipso facto, an important research field [Lis, Tomanek, 2020, p. 1201].

There are political and economic rationale for governmental interventions in citizens' sport participation level. An economics approach emphasizes that there is an economical reason for government to act, when it comes to market failures such as externalities, public goods and information problems [Sturm, 2005, p.141-149]. Public goods are defined as goods, that are non-rival – so it can be enjoyed by many consumers simultaneously – and their consumption cannot be limited [Samuelson, 1954, p. 388], [Stavins, 2011, p. 83;]. As a result, consumers have no incentive to pay for that kind of goods, and markets therefore underprovide them. Government's usually decide to provide those goods by state production of public goods – in the context of sport policy, an example of public goods may be children playground, playing field, sidewalk, bicycle path and park [Krol, 2020, p. 1039].

Situation, in which an individual bears the costs of the other party's operation is also a market failure. Those costs are called externalities or external/ social costs [Scitovsky, 1954, p. 70]. An example of externality is a sedentary lifestyle, as it causes diseases [Keeler et.al., 1989, p. 975-81]. Some costs of this inactivity are borne by other entities – in that case the costs are collectively financed medical expenditures on inactive person [Sturm, 2005, 141-149]. To sum up, there are many areas in sports policy, where outcomes are not socially

<sup>1</sup> see more discussion on rationale for sports policy [Downward et. al., 2009, p. 22-24].

optimal – in that case, some sort of intervention should be considered, as it is well described and justified in economic literature [Sturm, 2005, p. 141-149].

There is a wide spectrum of instruments, that can be used by government to achieve intended goals [Kudelko, Pękała, 2006, p. 569]. One of the commonly used instruments is provision of social services by government. An alternative solution is increasing levels of funding non-governmental organizations, that provide such services. Next important instrument of sport policy are command and control instruments – which means state regulatory activity such as licensing of coaches, control of doping, licensing of sport clubs [Houlihan, 2005][Green, Collins, 2008, p. 226].

### **Role of non-profit organizations in sport**

Nowadays, the third sector has become a major economic and social force. Governments are searching for a balance between the public and private sector approaches to development. Some of them see in non-profit organizations an alternative to the public sector providers of welfare services and are willingly using non-profit organizations to replace governmental activity [Anheier, List, 2005, p. 14]. Literature research shows, that the field of philanthropy, civil society, non-profit organizations (NPO) and non-governmental organizations (NGO) is not unified and causes definition problems. For the purposes of this research it was assumed, that non-governmental organizations are created not for profit, as they are based on voluntarism [Teixeira, 2000, p. 148]. Hence, they can also be called non-profit organizations.

Due to the official classification of non-profit organizations, there are 12 categories of NPOs in the system, considering their subject of interest: culture and recreation (including sport), education and research, health, social services, environment, development and housing, law advocacy and politics, philanthropic intermediaries and volunteerism promotion, international activities, religion, business, professional associations and unions and lastly those that are not elsewhere classified [Salamon, Anheier, 1996] [Roslan et al., 2017]. Before the period of mentioned above *governmentalization* of sport, non-profit organizations – sport clubs and sport federations – were almost sole providers of professional sport, leisure activities and sport facilities [Scheerder et al., 2017, p. 2]. However, it must be noted, that a model of sports policy in some countries still bases on non-governmental parties. Literature research shows, that there is a lot of sports policy typologies, mostly based on parameters [Scheerder, Willem, Claes, p. 6]:

- the role of public authorities,
- the level of coordination of the various actors involved in the sport system,
- the roles of the voluntary, public and private sectors in the delivery of sporting provision,
- the adaptability of the system to changes in demand.

Thus, the type of entities, that dominate the sports policy – public, private or voluntary entities - determine its characteristics. Nevertheless, most countries use mixed solutions, by providing sport services both in public and third sector.

### **Donations as a non-profit organizations' source of financing**

There is a large body of research on charitable giving behavior. In general, this research has aimed to answer questions such as [Ekici, Shiri, 2018, p. 138]

- what drives charitable giving? [Aaker, Akutsu, 2009],
- what are the physical and mental benefits of charitable giving for donors? [Aknin et al., 2013],
- how charitable giving behavior can be increased? [Anik et al., 2014 ],
- what are the characteristics of donors [Pentecost, Andrews, 2010, p. 3]

As a competition on non-profit market is growing, involved entities are willingly using scientific theories above to create strategies increasing donation income.

The scientific literature identifies eight key mechanisms, that can be called determinants of philanthropy. Those are [Bekkers, Wiepking, 2010, p.7]: awareness of need, solicitation, costs and benefits, altruism, reputation, psychological benefits, values, efficacy. Awareness of need is a first prerequisite for donating – the higher the degree of need for help, the higher the likelihood that help will be given. When it comes to financial donation, not objective need but subjective perceptions of need are important [Bekkers, Wiepking 2010, p.8].

Literature and political practice show, that not only non-profit organizations are interested in their finances. Government often serve the same end goals, however it is perceived in a very different way - people complain that their tax liabilities are too high and at the same time they contribute to nonprofit causes<sup>2</sup>. One of governmental instruments encouraging citizens to financially support certain organizations are tax incentives. Governments often provide tax credit on donations or partially enable taxpayers to participate in the decision making process regarding the allocation of funds. For example in Poland, citizens can decide, which organisation will receive an amount of 1% of their tax liability [Chojnacka, Górecka, 2016, p. 38]. In all cases, those can be sports-oriented non-profit organizations.

<sup>2</sup> this phenomenon is called voluntarily taxation [Xin Li et al., 2011, p. 1190].

### Concept and necessity of research

Nowadays, modern governments search for other solutions for public policy creation, than governmental provision of social services. Non-profit organizations, alternative providers of those services, are also facing scarcity of financial resources and more and more often rely on citizens' donations. The question, that occurs in those circumstances is: can that model be accepted by non-profit organizations, that provide *not essential* services? Research show, that one of the important reasons to donate is realization of need and lack of financing.

The purpose of this paper is to assess the citizens' perception of sport as a public task, by reviewing their willingness to donate to sport-promoting organizations. Although sport promotion is said to be important part of political agenda in developed and developing countries, it is not a top priority in governmental budgets. Citizens' perspective on that matter seems to be vital and at the same time difficult to grasp, as their declarations may not reflect their real preferences. The concept of this study was, that donated by citizens public tasks are in their opinion important and underfinanced by government. The main scientific question was: are sports non-profit organizations important enough to collect donations? Basing on the best knowledge of the author, none that kind specific research has ever been conducted. This study area seems to be important both for science and practice.

### Material & methods

In order to achieve those goals, donations on non-profit organizations had to be analysed. The system of Polish non-profit organizations was selected for the purposes of this analysis. Ever since 2003 there has been a special type of non-governmental organization in Poland, which is called the *public benefit organization* (PBO). Those organizations have special rights, but also has to meet certain requirements. The most important is, that they perform public benefit activity, defined by Polish law<sup>3</sup>, benefiting general community or groups characterized by a difficult situation or unique needs. What is more, the PBO's are allowed to run a business activity but only as an additional activity. Generated revenue must be allocated in an organization to serve public benefit activities<sup>4</sup> [Chojnacka, 2020, p. 453].

The main benefit of the public benefit organization status is the right to participate in personal income tax income. PBO can be indicated by taxpayers as a beneficiary of 1% of their tax liability. It can be named a special kind of donation, which is not fully voluntary – as a taxpayer cannot keep those funds, there is only an option to support a public benefit organization of their choice instead of country budget [Piechota, 2015, p. 88]. This kind of system supporting third sector was also introduced in Hungary, Slovakia, Lithuania and Romania<sup>5</sup> [Chojnacka, 2020, p. 453].

Other tax instrument available for PBO's is a tax credit on donations, available both in personal and corporate income taxation. The possibility of using that tax preference is not related to the status of the organization, but to the designed purpose of the funds. There are also top limits of donation funds, that can be claimed. The general rule is, that claimed donation cannot be higher than 6% of personal income and 10% of corporate income. This solution is designed to encourage real voluntary giving.

Those two parts of governmental non-profit organizations support were a reason for choosing Poland and Polish organizations as the research subjects. An additional advantage was, that PBO's are obliged to publish special financial and substantive reports [Piechota, 2015, p. 88]. Those reports could be used in a study of willingness to donate to sports PBO's in period 2015-2018.

The selection process of used data was as following:

- all active and finance-reporting in 2018 PBO's from kujawsko-pomorskie voivodeship were selected,
- PBO's were divided in two groups: sport-oriented organizations and rest of organizations, basing on declared in reports 3 most important tasks and purposes of financing,
- financial data on income sources were collected and analysed for both groups.

### Results and discussion

This study was based on financial reports of 176 active PBO' from kujawsko-pomorskie voivodeship, in years 2015-2018. 18% of those organizations were sport-oriented. Main financial characteristics, that can be used in willingness to donate assessment, have been included in the table 1 and in the diagram 1.

First conclusion, that can be drawn, is that sport-oriented PBO's were not popular beneficiaries of 1% tax designation. Average income of those organizations was much lower, than the average of all selected PBO's. What is more, the median of sport-oriented PBO's income was also lower and decreased in time. That means, that there are more sport PBO's, that receive less income from that source. At the same time, maximum income registered by that category suggests, that a cumulation of funds occurred rather than limitation of sports PBO's significance.

<sup>3</sup> act on public benefit activities and volunteering, 2003, art. 3.1 and 4.1 mentions – among other – such public tasks as social assistance, health protection, ecology, animal protection and sport [Chojnacka 2020, p. 453]

<sup>4</sup> there is also a list of formal conditions – for example some restrictions concerning loans are required

<sup>5</sup> see more about those mechanisms [Jęgorow, 2017, p. 50] [Misiewicz, 2016, p. 292]

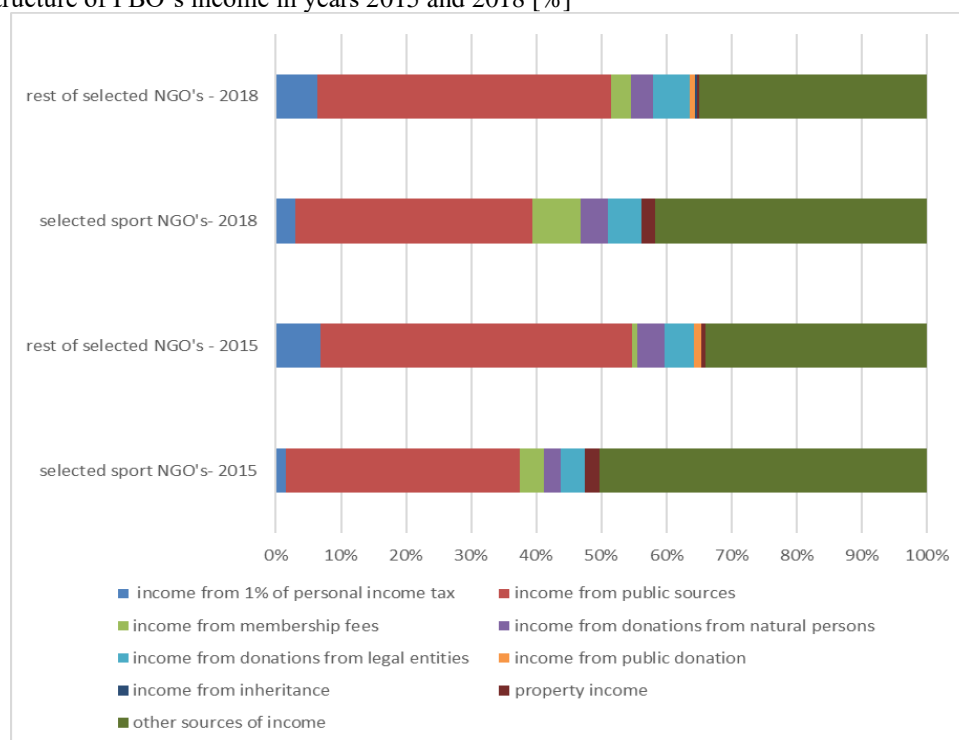
Analysis of voluntary donations, stimulated by tax deductions, seems to be more important in the context of willingness to donate. Income from natural persons' and legal entities are important part of sport-oriented PBO's, as well as they are in all population of examined organizations. Average income deriving from citizens is lower in analysed category of organization, however it has grown since 2015.

Table 1. Main financial characteristics of selected PBO's in 2015 and 2018 [PLN]

year	specification	income from 1% of personal income tax	income from public sources	income from membership fees	income from natural persons' donations	income from legal entities' donations	income from public donation
2015	arithmetic average for selected sport PBO's	12 109,91	283 264,65	29 464,24	20 390,38	28 880,23	605,77
	arithmetic average for all selected PBO's	50 561,52	384 076,37	11 334,75	32 528,11	36 986,96	7 346,38
	median of selected sport PBO's	5 402,47	120 476,00	14 514,75	4 131,50	2 500,00	-
	median of all selected PBO's	7 892,00	133 452,00	330,00	7 740,23	461,40	-
	maximum of sport PBO's	156 413,60	2 096 811,48	273 805,00	158 217,00	228 700,00	15 750,00
	maximum of all PBO's	1 261 688,87	4 049 366,80	273 805,00	682 497,24	1 027 976,95	475 261,47
2018	arithmetic average for selected sport PBO's	18 690,96	229 154,79	47 259,19	26 461,13	32 433,35	-
	arithmetic average for all selected PBO's	55 956,40	419 298,75	33 830,43	32 465,86	52 621,15	7 878,10
	median of selected sport PBO's	3 130,10	100 040,00	21 167,50	2 690,00	-	-
	median of all selected PBO's	7 700,80	106 146,00	305,00	5 965,00	-	-
	maximum of sport PBO's	396 593,37	1 126 278,78	313 290,00	167 431,18	330 000,00	-
	maximum of all PBO	1 882 864,93	3 851 099,30	3 199 441,16	306 955,27	1 896 579,41	434 924,00

Source: own analysis based on financial data of selected PBO's

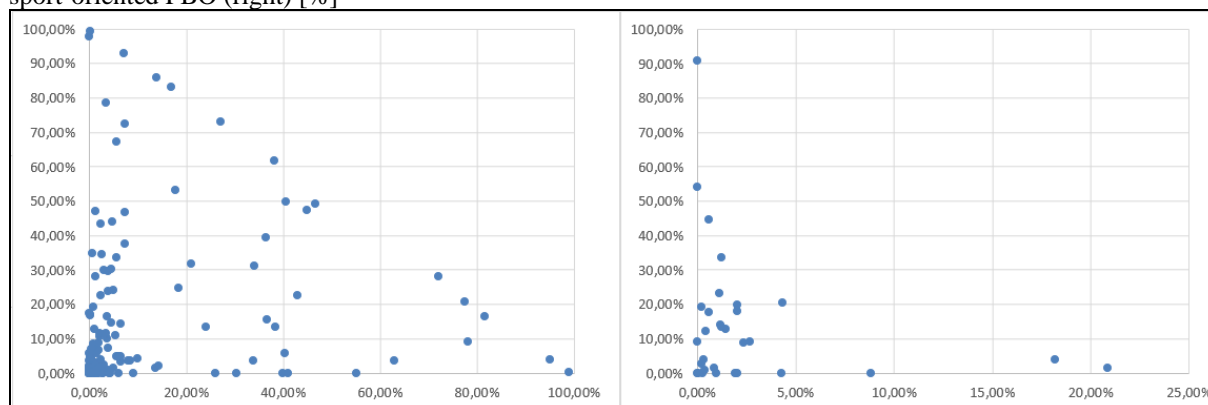
Chart 1. Structure of PBO's income in years 2015 and 2018 [%]



Source: own analysis based on financial data of selected PBO's

Chart 2 presents an importance of two donations *sources* - 1% of PIT designation and tax credit – to be precise, it presents share of income from a given source in total income. Organizations were divided in two groups – chart on left presents all PBO's and chart on right presents income of sport-oriented organizations. It can be concluded, that there are organizations, that are finances solely by 1% of PIT designations, and there are organizations, that are finances solely by other donations. In a case of sport-oriented PBO's, there were only two organizations, that were financed by 1% PIT designation in more than 10%. When it comes to donations, more PBO's of that category depend on voluntary funding.

Chart 2. Importance of 1% of PIT designation and tax credit for donations income in all selected PBOs (left) and sport-oriented PBO (right) [%]



Source: own analysis based on financial data of selected PBO's

## Conclusions

The aim of this research was to assess, whether citizens perceive sports as important public task and are willing to donate to sport-oriented non-profit organizations. Study was based on financial data of selected non-profit organizations – it was assumed, that given donations analysis is more reliable, than citizens' declarations. For that purpose, financial reports of selected polish non-profit organizations were studied.

Analysis of RBO's financial reports leads to an conclusion, that sport is an important task and citizens are willing to participate in its financing by donations. Average polish citizen did not choose sport-oriented PBO as a beneficiary of their 1% tax designation – however, it must be noted, that it concerns the *easiest* type of/ donation, often given with no consideration. The main conclusion was driven from the amounts of other donations and their importance to PBO's budgets. It seems, that in group of conscious polish donors – those, that decide to donate fully voluntarily - the willingness to donate to sport-oriented organizations is not much lower than average for all purposes. Probably, the number of donors is in that case lower, as a number of 1% personal income tax donors is much lower in that group of organizations. However, the total amount of donations suggests, that their singular financial input of those donors is higher. Further research concerning number of donors is needed to fully understand the specifics of voluntary donations to non-profit sports organizations.

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