

Can Purposeful Giving Change Society? The Diversification of Personal Philanthropy

by Akemi Tsukada
Social Development Research Group
tsuka@nli-research.co.jp

While charitable donations by households have declined in recent years, a diverse range of donation methods has emerged, including website links, credit cards and point cards partnered with CSR programs, and even bank deposit accounts that make social contributions. By donating money, individuals can express their will on a wide range of social issues and causes. We examine the motives, current status, and diversification of donation methods of personal philanthropy, and explore future directions to enhance donations in the broader context of investment in social contribution.

1. Introduction

In the decade since the NPO law took effect in 1998, NPOs have gained increasing public acceptance for their work on social and communal issues and causes. In this sense, NPOs have clearly expanded the role played by private individuals in the public sector.

When individuals want to make a difference on a social issue or cause, or become involved with NPOs or other activities, one way is to participate directly in management or operations as a volunteer. Another way, which we discuss below, is to provide funding to these activities through personal philanthropy.

In recent years, numerous ways have emerged for individuals to express their good will on a variety of social issues and causes through donations—for example, one-click donation links on websites, credit cards partnered with corporate social responsibility (CSR) programs, point card donations, publicly offered local government bonds for funding specific projects, and time deposit accounts with a social contribution component.

This paper discusses the current status, motives, and diversification of donation methods of personal philanthropy, and explores future directions for money donations as an expression of compassion and intent within the context of investment in social contribution.

2. Status of Personal Philanthropy

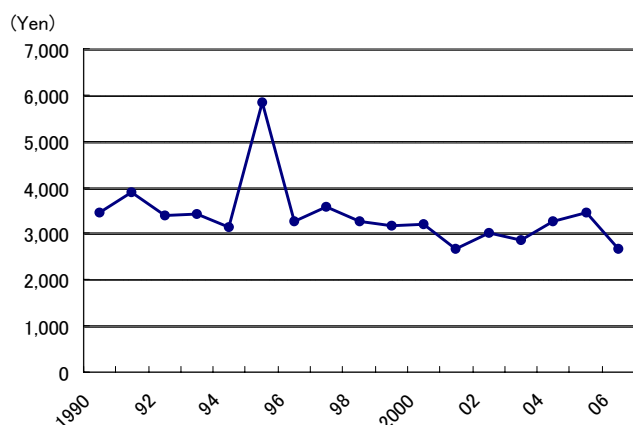
1. Size of Annual Donations

Traditionally, individuals have expressed their good will to the society and community in the form of charitable donations to community chests and community organizations. In recent years, however, such money donations have been decreasing.

According to the *Family Income and Expenditure Survey* (Ministry of Internal Affairs and Communications), in fiscal 2006 the annual charitable donation per household fell to 2,654 yen (Exhibit 1). It had hovered in the 3,000-yen range from fiscal 1990, but began declining in 2000 and plummeted in fiscal 2006. The spike in 1995 to 5,834 yen is attributed to the impact of the Great Hanshin-Awaji Earthquake.¹ But despite the decline, when we consider that Japan has 49.53 million households (according to the 2000 national census), total charitable donations in fiscal 2006 still amounted to a respectable 131.5 billion yen.

Another perspective comes from the *Fiscal 2007 Survey of Nonprofit Satellite Accounts in Japan* (Economic and Social Research Institute, Cabinet Office).² Using data gathered from questionnaires, the survey estimates the economic scale of charitable donations and volunteer manpower at nonprofit institutions.

Exhibit 1 Annual Charitable Donation per Household



Source: MIC Statistics Bureau, *Annual Report on the Family Income and Expenditure Survey 2006*.

Exhibit 2 Annual Charitable Donation per Household (among households who donate)

Category	Donating households (% of total)	Average donation (yen)
Charitable donation	41.26	2,558
Culture and arts	0.82	22,214
Sports	1.05	8,574
Lion's Club, Rotary Club	0.5	120,988
Education and research	1.72	17,861
Hospital, nursing home, rehabilitation facility	2.45	798
Health promotion	0.35	3,797
Youth development	4.76	619
Family consulting, disabled & elderly support	0.9	4,139
Emergency and relief, homeless support	1.81	4,637
Environment	1.11	10,965
Community	5.02	4,012
Employment	0.03	0
Politics, law	0.18	21,250
Volunteer promotion org., fundraising org.	1.81	5,445
International	3.91	17,216
Religion	5.63	24,217
Business, professional, labor associations	0.58	5,680
Government	0.55	26,022
Not elsewhere classified	1.58	8,862
Total	47.74	10,958

Notes: Government refers to non-specified donations made to the government.

Source: ESRI, *Hi-eiri satellite kanjo ni kansuru chosa kenkyu* (survey of nonprofit satellite accounts of Japan), *National Accounts Quarterly*, no. 135, January 2008.

According to the survey, almost one in every two households (47.74%) has made charitable donations. Among households who have donated, the average annual donation amounts to 10,958 yen per household. When all households are considered, the average annual donation is thus 5,100 yen per household. Extrapolating from these results, total charitable donations in Japan are estimated at 259.3 billion yen.³

Since the two surveys differ in objectives, the wide disparity in results is understandable. One explanation is the difference in classification of donations.

In the MIC household survey, respondents are told that charitable donations consist of “money donations to non-household organizations and transfer payments such as congratulatory gifts; for example, ordinary donations, donations to community chests, and cash donations at bazaars.”

In contrast, the ESRI satellite account survey, which seeks an overview of NPO activity, classifies donations by NPO genre and gives clear examples. Thus what the MIC survey refers to simply as money donations, the ESRI survey covers in three categories: charitable donation, activity of community organizations, and a portion of activity of volunteerism promotion and fundraising organizations.

In sum, while traditional donations may in decline, overall donations by individuals to social and community activities are not necessarily declining when we look at specific categories of donations to NPOs and other intermediaries. Still, except for the charitable donation category, household participation in other categories is still very low at 6.5%.

2. Philanthropic Motives

In the *Survey of Nonprofit Satellite Accounts of Japan* by ESRI, the top three motives for philanthropy have a forward-looking nature based on awareness of social contribution or individual values: “I want to help others and society” (60.7% of respondents), “Doing so coincides with my own values” (29.2%), and “I have an interest in this area” (22.5%). On the other hand, conformity-minded motives are high on the list but have a response rate of below 20%. These motives include: “I was asked to do so by people at work, school, or in the community” (19.0%); and “Others at work, school, or in the community are doing so” (14.7%).

In the *National Survey on Lifestyle Preferences (Fiscal 2005)* by the Cabinet Office, some results appear to reflect a strong interest in philanthropy—for example, 61.0% of respondents agree with

the statement, “I am more interested than most people in the course of society and politics,” and 91.0% agree that “To make life better, it is important that each person takes an interest in the world around them.” These response rates indicate a high level of concern toward the society, which establishes the background of social awareness necessary to promote philanthropy.

3. Diversification of Donation Methods—Partnering with CSR Programs

Donation methods for personal philanthropy have diversified in parallel with the spread of corporate social responsibility (CSR) programs. In effect, these corporate donations are a social contribution reflecting the will of participating individuals. The programs serve to both publicize worthy charitable organizations and expand the arena of philanthropy. Below we introduce some leading examples.

1. One-Click Donations

With one-click donations, whenever visitors visit a corporate website and click on a donation link, the company makes a donation on their behalf to a specified charity. For example, Nippon Flour Mills Co. sponsors a one-click donation link to the Japan Committee for UNICEF, while Kirin Holdings Co. sponsors a link to the National Land Afforestation Promotion Organization. Corporations generally donate one yen per click to the respective charities. One-click donations can also be done at specialized portal sites such as dff.jp and ekokoro.jp.⁴

The dff.jp site is operated by DDF Co., and currently has links to over ten sponsors including Cosmo Oil, Nippon Flour Mills, and Zenrosai (National Federation of Workers and Consumers Insurance Cooperatives). Cumulative donations from this site amount to approximately 190 million yen (as of May 31, 2008).

2. CSR Activities for Employees and Shareholders

Many corporations also let employees or shareholders participate in CSR activities. A widely known CSR program that involves employees is the “*hasu (fraction) club*” at Fuji Xerox Co. The name refers to the practice of rounding monthly salaries and seasonal bonuses down to the nearest 100 yen, and collecting the fractional amount as a membership fee, which is then donated to NPOs or used to fund club programs. The company matches each gift.

Social contribution activities involving shareholders are also increasingly common. Asahi Breweries lets shareholders donate their complimentary shareholder gifts to the “*mizu no wakusei*” (planet of water) environmental fund. Other examples in which shareholders can choose to donate their complimentary gift to a charity include Kirin Holdings (donations are made to the Ecology Fund), Ricoh Leasing Co. (donations are made to the Green Fund), and Rohto Pharmaceutical Co. (in fiscal 2006, donations were made to the Eye Mate Association to train seeing-eye dogs).

3. Donations Through Credit Cards and Point Cards

Similar to the above CSR activities, corporations also act as a medium to encourage personal donations when they offer point card programs and credit cards that make social contributions. A popular point card program is Aeon Co.’s *shiawase no kiroi receipt campaign* (yellow receipt of happiness campaign). Popular credit cards that make social contributions include Cosmo the Card Opus Eco, issued jointly by Cosmo Oil Co. and Aeon Co., which donates 500 yen each year to the Cosmo Oil Eco Card Fund; and the WWF Card, issued jointly by the World Wide Fund for Nature (WWF) and Japan and Credit Saison Co., which donates 0.5% of the transaction amount to the WWF.

Some credit cards are designed to support local initiatives. In Aomori prefecture, Nissenren Aomori Cooperative Association and the Aomori NPO Support Center (ANPOS) jointly issue the *NPO oendan* (NPO cheering squad) card, which supports NPO activities within the prefecture. When users register for the card, they choose an NPO from a list of eligible NPOs. Then 1,000 yen

is donated upon card issuance; subsequently, 0.5% of the transaction amount is donated. The list contains approximately 40 NPOs, and while the number of cardholders is undisclosed, the initial objective was to issue 5,000 cards.

4. Diversification of Funding Sources

Another area in which individual awareness toward social contribution has growing movement to effectively harness financial assets.

1. Time Deposit Accounts with Social Contributions

Some local banks and *shinkin* trust banks offer time deposit accounts that donate a percentage of the account balance or earned interest to local NPOs involved in the environment or community regeneration. According to recent media reports, mention of the recipient NPO is important for product differentiation, and local responses have been positive. For example, Yamanashi Chuo Bank amassed 9,288 *nukumori* time deposit accounts with an outstanding balance of approximately 20.5 billion yen, generating a donation of approximately 4 million yen in June 2008.

In a fiscal 2005 by the Cabinet Office survey of public awareness toward new financial channels, elderly persons and baby boomers were asked about acceptable interest rate levels on bank accounts that generate funding for NPOs. The largest proportion of respondents (44.4%) said they “the interest rate must equal that of ordinary deposit accounts.” On the other hand, 9.2% said “the interest rate can be as low as zero,” while 38.4% said “the interest rate can be as low as one-half the ordinary deposit rate.”

These results suggest that the attractiveness of time deposit accounts with a social contribution component stems not only from their clear declaration of purpose and recipient, but from the additional interest rate offered to depositors.

Exhibit 3 Time Deposit Accounts with a Social Contribution Component

Financial institution	Product name	Date begun	Description
Yamanashi Chuo Bank	Environmental time deposit “Nukumori”	Feb 2008	For depositors who promise to follow energy saving practices, deposit rate is increased 0.1% for a year; 0.02% of account balance is donated to Yamanashi Environment Foundation.
Michinoku Bank	“Michinoku” eco time deposit	June 2008	0.02% of account balance is donated to Shirakami Mountains Preservation Society, an NPO that restores beech forests. Depositors receive certified membership free of charge.
Noto Shinkin Bank	“Noto forestation” time deposit and “Yamamori forestation fund” (additional subscription)	June 2008	Deposit rate is increased 0.2%, and at maturity 5% of earned interest is donated to bank’s own forestation fund for Mt. Sekidosan drought and forestation.
Seishin Shinkin Bank	“Stop global warming 3” time deposit	April 2008	On new deposits, deposit rate is increased 0.2% above displayed rate; 0.1% of total product sales is donated to Shizuoka Center for Climate Change Actions.
Bank of Kochi	Super time deposit “Hana·hito·Tosa deai-haku oen teiki” (second subscription)	April 2008	Deposit rate is increased 0.15% above displayed rate; 0.01% of deposit balance is donated to prefecture for operation of “deai-haku” exhibition.

2. Citizen Participatory-Type Public Market Offering Bonds

In 2002 (fiscal 2001), the Ministry of Internal Affairs and Communications authorized a new type of local government bond called the citizen participatory-type public market offering bond. These bonds are issued to fund specific projects, and their purchase is restricted to eligible individuals.

The first bond, called an *ai-ken sai* (beloved prefecture bond), was issued by Gunma prefecture in 2002 to fund public hospital operations. The bond's 50,000-yen face value was payable in lump sum upon maturity in five years. Although eligible individuals were restricted to residents, commuters, and natives of the prefecture, the 1 billion yen bond subscription made headlines when it sold out ahead of expectations.

According to MIC data, bond issuances subsequently gained momentum around the country, from one bond in fiscal 2001 (Gunma pref.) to 34 in fiscal 2002, 70 in fiscal 2003, 93 in fiscal 2004, 106 in fiscal 2005, 122 in fiscal 2006; and 130 (planned) in fiscal 2007. The cumulative total bond issuance (including planned) is valued at 350 billion yen.

5. Future Directions for Philanthropy

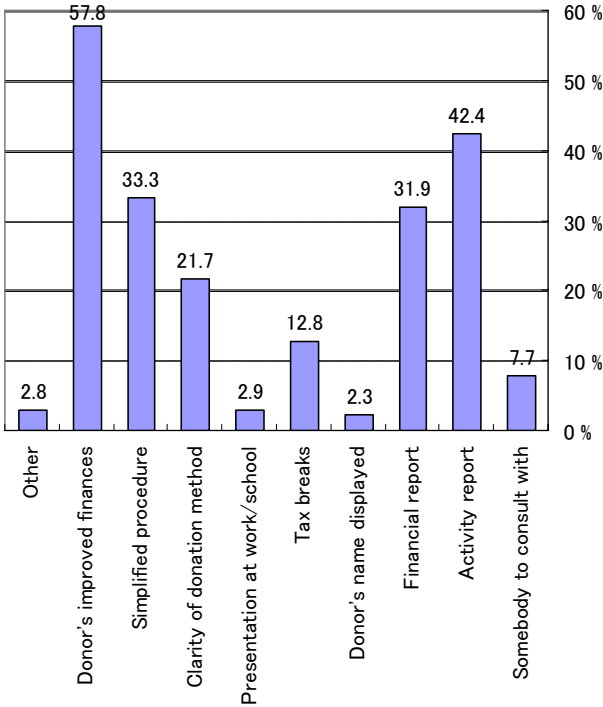
1. Factors That Would Increase Donations

Below we examine measures to further encourage social contributions among individuals thought to have either a high potential for making donations or a strong concern for social contribution.

According to a study in fiscal 2002 by the Coalition for Legislation to Support Citizens' Organizations, the undeveloped arena for NPO donations can be attributed not only to the lack of preferential tax measures, but to the passive stance of NPOs toward seeking donations, and their lack of accountability regarding activities and financial condition.⁶

In addition, the MIC satellite account survey also presents a list of factors deemed necessary to increase donations. Aside from the main factor cited—improvement in donors' financial means (57.8% response rate), which is exogenous to NPOs—other factors with response rates above 30% underscore the need to improve credibility and transparency at NPOs through activity disclosure (42.4%), simplification of procedures (33.3%), and financial disclosure (31.9%; Exhibit 4).

Exhibit 4 Factors That Would Increase Donations



Source: ESRI, *Survey of Nonprofit Satellite Accounts*, in *National Accounts Quarterly*, no. 135, January 2008.

2. Recommendations

Below we examine ways to develop the arena for personal philanthropy so that individuals can make a greater impact on society.

1. NPO accountability and stance on fundraising

In the area of international cooperation, many NPOs in Japan are local branches of international organizations, characterized by an aggressive stance and diversity of methods on fundraising.

For example, in fiscal 2008, the Japan Committee for UNICEF expects to collect 17 billion yen in income from donations. But the organization works hard for the donations—it releases activity reports and financial reports on its website, publicizes activities through brochures, and solicits donations through direct mail campaigns to individuals and fundraising campaigns aimed at

corporations. Of course, UNICEF in Japan enjoys an impressive status based on its size and history, and its legal status as a specified public interest corporation grants a tax break to donors. Nonetheless, it serves as an NPO role model for its aggressive stance on donations as the foundation for all activities, and stress on accountability to individual and corporate stakeholders.

2. Expectations for intermediaries

As we saw with the one-click donations and credit cards with social contributions, corporations can help expand the arena for philanthropy by serving as intermediaries between individual donors and recipient organizations.

Considering the broad and diverse nature of charitable organizations such as NPOs and public interest corporations, and the difficulty of grasping each organization's activities, corporate intermediaries can play a key role in developing the infrastructure for personal philanthropy by promoting worthy NPOs and offering donation channels through their website. In this sense, corporate intermediaries can not only sponsor NPOs but publicize and promote them.

3. Tax benefits

The lack of tax benefits is a longstanding issue for NPOs. Despite some progress in deregulation, as of June 1, 2008 the Ministry of Finance still recognizes only 87 government-certified NPOs who enjoy tax benefits. Obviously, other measures are needed while regulatory reform inches ahead.

One possible direction is suggested by the Arts Project Assistance Approval Program, operated by the Association for Corporate Support of the Arts, Japan (*Kigyo Mecenat Kyogikai*, or KMK). Under the program, corporate donors first deposit their donations at KMK. Since KMK enjoys preferred tax status as a specified public interest corporation, donors can treat the donations as either non-taxable expenses or tax-deductible donations. Upon approving the project, KMK passes on the funds to the recipient organization or individual. An added benefit is that the approval process screens the projects based on transparency and feasibility, giving corporate donors a clear set of criteria for the final decision.

As a forward-looking initiative that deals with the problem of tax benefits with the aim of developing the arena for philanthropy, the program serves as a reference for other genres as well.

3. Conclusion

In 2006, total charitable donations by individuals were estimated at only about 0.05% of nominal GDP (507.7 trillion yen).⁷ However, the awareness and potential impact of donors remain quite high, and donation methods and channels are growing more diverse. Most importantly, individuals need to realize that the money they donate is a reflection of their will and problem awareness toward society. This growing recognition will foster the direction toward greater accountability at NPOs and public interest corporations, increased channels for donations, and further deregulation.

Endnotes

1. Similarly, the slightly larger average donation amounts in 2004-2005 can be attributed to the Niigata-ken Chuetsu-oki earthquake in 2004.
2. A major problem is the lack of data that portrays a comprehensive picture of NPOs including financial scale and structure of employment and manpower. The survey attempts to provide this data by compiling a nonprofit satellite account consistent with the internationally used system of national accounts.
3. The estimated total donation = total number of households (based on national census) × ratio of households who donate × average donation amount. The total donation is approximately 0.05% of nominal GDP in fiscal 2006 (507.7 trillion yen).
4. The Japanese websites are www.dff.jp and clickbokin.ekokoro.jp.
5. Cabinet Office, *Koreisha no kinyu shisan no yuko katsuyo oyobi shakaiteki sekinin toshi he no shikin ryunyu no kanosei ni kansuru chosa* (survey on effective utilization of financial wealth of elderly persons and the possibility to channel funds into socially responsible investment), fiscal 2005.
6. Coalition for Legislation to Support Citizens' Organizations, *Japan-US Comparative Project on Accountability of Nonprofit Organizations through Model Cases*, May 2003.
7. ESRI, *Hi-eiri satellite kanjo ni kansuru chosa kenkyu* (survey of nonprofit satellite accounts of Japan), *National Accounts Quarterly*, no. 135, January 2008. Including corporate donations, total donations are estimated at 712.6 billion yen, or approximately 0.10% of nominal GDP (507.7 trillion yen) in fiscal 2006.