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Taken together, this study could be of interest to aspiring entrants who wish to do good while staying afloat at the same time. For instance, the social and welfare subsector is able to generate a greater proportion of receipts from the sales of goods and services. This suggests that models employing social entrepreneurship may be appropriate in building sustainability in this sector.

Finally, subject to the data at hand, we explore the possible research questions raised in the literature that may be of relevance to practitioners and policymakers. We discuss topics such as the relation of donations and economic conditions, crowding-in or crowding-out effects of grants, the cost of donations, and fundraising strategies.

Given the trend of an ageing population, the Social and Welfare subsector may have a greater role to play in the future. Therefore, this warrants more in-depth research on these issues to bring innovation and sustainability in transforming society and community.
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Established in April 2011, the Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) is an academic research centre at the National University of Singapore Business School.

ACSEP aims to advance understanding and the impactful practice of social entrepreneurship and philanthropy in Asia through research and education. The centre’s research, by an international multidisciplinary team, spans 34 nations and special administrative regions across Asia. Its working papers are authored by academia and in-house researchers, providing thought leadership and insights into the key issues and concerns confronting socially driven organisations.

To learn more about ACSEP’s work, go to bschool.nus.edu.sg/acsep.

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The currency stated in the paper is in Singapore dollars unless otherwise specified.

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ABSTRACT

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# GLOSSARY OF TERMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Name</th>
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<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IPC</td>
<td>Institutions of Public Character</td>
</tr>
<tr>
<td>bn</td>
<td>Billions</td>
</tr>
<tr>
<td>m</td>
<td>Millions</td>
</tr>
<tr>
<td>k</td>
<td>Thousands</td>
</tr>
<tr>
<td>STI</td>
<td>Straits Times Index</td>
</tr>
<tr>
<td>MOH</td>
<td>Ministry of Health</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>MCCY</td>
<td>Ministry of Culture, Community and Youth</td>
</tr>
<tr>
<td>PA</td>
<td>People's Association</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>MSF</td>
<td>Ministry of Social and Family Development</td>
</tr>
<tr>
<td>NUS</td>
<td>National University of Singapore</td>
</tr>
<tr>
<td>SMU</td>
<td>Singapore Management University</td>
</tr>
<tr>
<td>NTU</td>
<td>Nanyang Technological University</td>
</tr>
<tr>
<td>SIT</td>
<td>Singapore Institute of Technology</td>
</tr>
<tr>
<td>SUTD</td>
<td>Singapore University of Technology and Design</td>
</tr>
</tbody>
</table>
INTRODUCTION

The charity sector has seen buoyant growth since the mid-1990s due to the demand for private provision of public goods and services. Roshini and Tan (2015) study the development of the philanthropic sector during Singapore’s nation building years. They observe a transition as the government adopts a “many helping hands” approach. This has given an impetus for the growth of civic society and the charity sector since 1995.

For instance, various initiatives were laid out such as the formation of the National Council of Social Services (NCSS) and the introduction of tax exemption for donations for the first time in 1992.

As two decades has since passed, the time is ripe to conduct an exploratory study on the state of the charity sector in Singapore.

This paper builds upon a related piece of work by Sim, Ghoh, Loh and Chiu (2015) who analyse the state of the sector's financial management practices and financial management issues using an accounting approach.

In our paper, we take a different angle of analysis and tackle some of the key questions listed below in greater depth:

a) What is the charity sector’s growth rate and time trend?

b) Do all subsectors have an equal share of receipts amongst donations, grants and other operating/investment income? Who are the major institutions receiving the most funds in each sector?

c) Do people give more during good times? Conversely, do they give less during bad times?

d) What are some possible useful psychological cues for increasing the donation amounts solicited by charities?

Answering (a) is important as we can find out whether the charity sector is growing at a healthy rate. As a corollary, abnormal growth rates may signify deeper underlying issues worthy of further investigation.

For (b), by analysing the funding mix employed by the biggest institutions in each subsector, we provide greater contextual insight into the data. This may have implications for policymakers and practitioners alike.

Finally for (c) and (d), insights from extant research are discussed with a view to strategy formulation for fundraising under different economic conditions, policy and psychological cues. This has policy implications for charities as well as policymakers.
Administration of the Sector

The Charities Unit in the Ministry of Culture, Community and Youth (MCCY) is responsible for regulating the sector with the Commissioner of Charities working with sector administrators from the Ministry of Education (MOE), Ministry of Health (MOH), Ministry of Social and Family Development (MSF), People’s Association (PA), and Sport Singapore (SportSG), according to MCCY (2015).

Charities may also be conferred the status of Institution of Public Character (IPC) which allows them to issue tax-exemption receipts but holds them to higher standards of disclosure.

To qualify as an IPC, the charity must be dedicated to serving the needs of the community in Singapore as a whole and are not confined to sectional interests or groups of persons based on race, belief or religion.

Trends in Sectoral Receipts

1. Receipts of charity sector ($ billions) from 2007 to 2013

The total receipts of the sector grew rapidly from $6 bn in 2007 to $13.9 bn in 2013 at a cumulative average growth rate (CAGR) of 15 percent as shown in Figure 1. By end-2013, the total receipts had more than doubled when compared to 2007.

From 2009 onwards, we have the breakdown of the total receipts into three main components: grants, donations and others. Grants are money given by the government. Donations are money or goods given by the public or corporates. Others are revenue obtained from the provision of goods and services by the charity.

Figure 1 shows that the annual growth comes from all three components from 2009 onwards. The CAGR of grants is at 8.6% (from $4.6 bn in 2009 to $6.4 bn in 2013). The CAGR of donations is at 8.6% (i.e., from $1.8 bn in 2009 to $2.5 bn in 2013). The component others grows at the highest CAGR of 13.6% (i.e., from $3.0 bn in 2009 to $5.0 bn in 2013).

The average growth rate in others is the highest among the three components of total receipts mainly due to three spikes in 2010, 2012 and 2013.

However, we also observed a dip in 2011, indicating some volatility from this stream of receipts. Given the significant increase from government grants, the total receipts in 2011 was still higher than 2010.

Figure 1: Total receipts of the charity sector ($bn) (2007-2013)

2. Percentage breakdown of three components of total receipts

We present the breakdown of three components of the receipts as a percentage of the total receipts from 2009 to 2013 in Figure 2.

(Source: Commissioner of Charities Annual Report)
Government grants contribute the most to the charity sector among the three components, at about 47% of total receipts from 2009 to 2013. Nevertheless, starting from 2009, we observed that the percentage of others has increased from 32% to 36% of the total receipts while the percentage of grants declined from 48% to 46% by 2013. These trends indicate that charities’ receipts from sale of goods and services tend to be increasing, pointing possibly to a more sustainable funding model in the Singapore charity sector in recent years.

If we exclude grants, the percentage of others (at 36%) is almost double of that of donations (at 18%). This implies that others contribute to two thirds of the receipts excluding grants while donations contribute the other one third. This is an important feature in the landscape of Singapore charity sector.

If the uptrend in 2012 and 2013 persists, it augurs well for the increasing sustainability of the charity sector.

3. Donations as a share of GDP for selected countries in 2013

While a globally representative view of charitable giving would have been ideal, data constraints preclude us from doing so. Putting Singapore in comparison with a few other countries, we find that the donations as a share of GDP for Singapore is comparable to some developed countries such as Canada and Netherlands at 0.7 percent in 2013 shown in Figure 3, but this still falls behind the U.S. which is leading at 2.0 percent.¹

Trends in Sectoral Composition

For this section we document the number of charities over time by subsector and their distribution by receipt bands to understand the sector’s growth and changes over time.

¹ We are aware that the usual way to compare with GDP is to use the contribution made by charity sector. But such numbers are not available for Singapore. According to Salamon, Sokolowski, Haddock and Tice (2013), the average GDP contribution made by the nonprofit sector is at 4.5% of GDP for a sample of 16 countries.
1. Distribution of charities by subsector from 2007 to 2013

The number of charities grew from 1,890 in 2007 to 2,142 in 2013 at a CAGR of 2.1 percent as shown in Figure 4.

![Figure 4: The number of charities by subsector (in hundreds) (2007-2013)](image)

(Source: Commissioner of Charities Annual Report)

(Note: Religious and Others refers to charities such as animal welfare, etc.)

Consistently, the Religious and Others subsector had the highest number of charities across all years from 2007 to 2013. Based on MCCY’s classification, the Religious and Others subsector includes charities which are set up for animal welfare, environment conservation and youth development.

2. Distribution of receipts by subsector from 2008 to 2013

Figure 5: The receipts by subsector ($m) (2008-2013)

![Figure 5: The receipts by subsector ($m) (2008-2013)](image)

(Source: Commissioner of Charities Annual Report)

(Note: Religious and Others refers to charities such as animal welfare, etc.)

As seen from Figure 5, the Education subsector contributes the bulk of receipts across all years, followed by the Religious and Others subsector.²

In terms of growth rates, the top three fastest growing subsectors are Community (28.5 percent), Arts and Heritage (17.3 percent), and Health (10.4 percent).

² Unfortunately, data constraints meant that we were unable to include 2007.
3. Distribution of charities by level of receipts from 2007 to 2013

As shown in Figure 6, charities in the smallest receipt bracket ($<250 k) made up the largest group across all years from 2007 to 2013. The CAGR of this group was highest at 3.3 percent.

Figure 6: The distribution of charities by level of receipts (2007-2013)

An interesting observation is the bifurcated growth in charities in the smallest (<$250 k) and largest (>$10 m) receipt brackets from 2007 to 2013.

This might suggest the presence of economies of scale leading to some consolidation for the larger charities and the growth of niche causes which are being served by very small charities or newly registered ones.

4. Distribution of IPC charities by subsector from 2007 to 2013

As seen from Figure 7, the number of IPC charities grew from 508 in 2007 to 599 in 2013. This is equivalent to the annual growth rate of 2.8 percent.

Moreover, it can be seen that most of the IPC charities are found in the Social and Welfare subsector, followed by Religious and Others.

Figure 7: The number of IPCs by subsector (2007-2013)

Looking at subsector growth rates, the top three fastest growing subsectors were Education (5.8 percent), Arts and Heritage (5.3 percent), and Community (5.1 percent).
5. Distribution of tax-deductible donations by subsector from 2007 to 2013

As shown in Figure 8, we find that the amount of tax-deductible donations grew from $820.4 m in 2007 to $969.7 m in 2013 which corresponds to a CAGR of 2.8 percent.

Figure 8: Tax-deductible donations by subsector ($m) (2007-2013)

(Source: Commissioner of Charities Annual Report)

Moreover, the Education subsector consistently received the largest share of tax-deductible donations across all years, while the Sports subsector had the smallest.

Trends in Receipts per Charity

In this section, we document the trends in receipts for the sector and the receipts per charity to gain a sense of their financial health.

Analysis is done based on available data from 2008 to 2013, including descriptive statistics used (e.g., CAGR).

1. Receipts per charity of charity sector from 2008 to 2013

Figure 9 indicates a healthy growth trend in receipts for the average charity in the sector, which is at 7 percent annually. This growth rate is slightly lower than the annual growth rate of 9 percent in total receipts during the same period. The difference is due to the increased number of charitable organisations from 1,944 in 2008 to 2,142 in 2013.

Figure 9: Receipts per charity ($m) (2008-2013)

(Source: Commissioner of Charities Annual Report)

2. Receipts per charity by subsector from 2008 to 2013

From Figure 10a, we observe that the amount of receipts per charity declined for the Sports subsector from 2008 until growth resumed from 2011 onwards. The receipts per charity for the Arts and Heritage subsector are showing the upward trend. It is also the subsector that had the most receipts after the Education subsector. In this figure, we exclude the Education subsector as it is an outlier sector with the most receipts among all subsectors.
13

Figure 10a: Receipts per charity for all subsectors ex. Education ($m) (2008-2013)

On a related note as shown in Figure 11 below, the Education subsector has the highest amount of tax-deductible donations per IPC across all years, followed by the Health subsector.

Interestingly, there is a gradual decline in receipts for the Education subsector, from a high of $8.9 m per IPC in 2007 to $7.8 m per IPC in 2013 as shown in Figure 11.

Figure 11: Tax deductible donations per IPC ($m) (2007-2013)

Composition of Receipts per Charity

Figure 10b presents the growth of receipts of the Education subsector alone. It shows that the receipts are growing healthily from 2008 to 2013. On average, the receipts are about $65.1 m per year from 2008 to 2013 and the CAGR is 5.5 percent per year.

Figure 10b: Receipts per charity for the Education subsector ($m) (2008-2013)

In this section, we document the mix of the receipts per charity to ascertain the sector’s dependence on each of three sources of receipts: donations, grants and others. We note contributions of government grants to the charity sector are significant on per charity basis as well. Specifically, the top subsector receiving most government grants on per charity basis is the Education subsector, followed by the Arts and Heritage subsector and the Health subsector.

(Source: Commissioner of Charities Annual Report)
While it may be possible that a greater reliance on donations and grants indicates lower self-sufficiency, this question merits further research. For instance, obtaining a grant or donation requires some effort by the charity to persuade and convince the donor/grantor regarding the importance of its cause. Thus, it is not always true that a higher reliance on grants/donations signals lower self-sufficiency.

Our analysis is based on the breakdown of their receipts from 2011 to 2013. We also document the most reliant source of funding for each subsector and its average receipts over time.

Within each subsector, we also list the top charities with the greatest amount of the most-reliant funding source to anchor our intuition of each subsector.

A necessary caveat is to restrict our analysis to charities with three years of available data to ensure the consistency of numbers from the charity portal.

1. **Composition of receipts per charity in the Education subsector**

   As seen from Figure 12, charities in the Education subsector derive most of their receipts from grants and this averages around 60 percent from 2011 to 2013.

   The high percentage of grants may be due to the presence of educational institutions (tertiary) as students are heavily subsidised under the Tuition Fee Grant Scheme.³

   For instance, Singaporean students reading for a business degree receive subsidies ranging from $19,800 to $21,900 depending on the university enrolled. The amount of subsidy depends on the course and the university chosen.

   ![Figure 12: Composition of receipts per charity in the Education subsector ($m) (2011-2013)](source: Commissioner of Charities Annual Report)

   To check our intuition, we look at the grant figures for the five autonomous universities which are listed in Table 1 below.

<table>
<thead>
<tr>
<th>University</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUS</td>
<td>1.45</td>
<td>1.59</td>
<td>1.62</td>
</tr>
<tr>
<td>SMU</td>
<td>0.16</td>
<td>0.17</td>
<td>0.18</td>
</tr>
<tr>
<td>NTU</td>
<td>0.26</td>
<td>0.10</td>
<td>0.19</td>
</tr>
<tr>
<td>SUTD</td>
<td>0.06</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>SIT</td>
<td>0.03</td>
<td>0.04</td>
<td>0.05</td>
</tr>
</tbody>
</table>


³ [https://tgonline.moe.gov.sg/tgis/normal/studentViewTuitionGrantSubsidy.action](https://tgonline.moe.gov.sg/tgis/normal/studentViewTuitionGrantSubsidy.action)
As the large grants could be due to a large student pool, we divide these grant figures by the number of students$^4$ enrolled to get a “per-student grant”$^5$ which is illustrated in Table 2 below.

Table 2: Government grants per student enrolled in the autonomous universities ($k) (2011-2013)

<table>
<thead>
<tr>
<th>University</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUTD</td>
<td>N.A.</td>
<td>294.1</td>
<td>177.4</td>
</tr>
<tr>
<td>NUS</td>
<td>57.0</td>
<td>61.3</td>
<td>61.9</td>
</tr>
<tr>
<td>SIT</td>
<td>23.6</td>
<td>15.9</td>
<td>17.8</td>
</tr>
<tr>
<td>SMU</td>
<td>23.0</td>
<td>24.6</td>
<td>24.9</td>
</tr>
<tr>
<td>NTU</td>
<td>11.2</td>
<td>4.4</td>
<td>8.5</td>
</tr>
</tbody>
</table>


We find that the largest amount of grants per student was for SUTD. This might be due to the fact that it is a new university, and hence substantial grants may be required for the high startup costs of setting up a tertiary institution.

2. Composition of receipts per charity in the Arts and Heritage subsector

For the Arts and Heritage subsector, charities derive most of their receipts from grants (average 61.1 percent) as shown in Figure 13.

Figure 13: Composition of receipts per charity in the Arts & Heritage subsector ($m) (2011-2013)

(Source: Commissioner of Charities Annual Report)

The high percentage of grants may be due to the perception of the sector as a “public-good” which rationalises the use of government grants. The data for grants (see Table 3) supports this intuition.

Table 3: Government grants for selected charities in the Arts and Heritage subsector ($m) (2011-2013)

<table>
<thead>
<tr>
<th>Charity</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Esplanade</td>
<td>45.1</td>
<td>46.1</td>
<td>43.8</td>
</tr>
<tr>
<td>Singapore Arts School</td>
<td>-</td>
<td>34.8</td>
<td>36.9</td>
</tr>
<tr>
<td>Nanyang Academy of Fine Arts</td>
<td>19.7</td>
<td>20.3</td>
<td>20.4</td>
</tr>
<tr>
<td>Nanyang Fine Arts Foundation</td>
<td>19.7</td>
<td>20.3</td>
<td>20.4</td>
</tr>
<tr>
<td>Singapore Chinese Orchestra</td>
<td>11.0</td>
<td>9.8</td>
<td>10.3</td>
</tr>
</tbody>
</table>


$^5$ We matched student enrollment figures in AY 201X to the grants in FY 201X.
The Esplanade received the most grants which may be indicative of its importance in inculcating an arts and cultural movement in Singapore.

3. Composition of receipts per charity in the Health subsector

As shown in Figure 14, charities in the Health subsector derive most of their receipts from grants (average 41.9 percent), but it is less than half of total receipts.

An interesting observation is the approximately four-fold increase in grants given to the National Kidney Foundation (NKF). Considering their annual reports, the number of patients and beneficiaries grew from 2,832 in 2011 to 3,091 in 2013 which is a CAGR of 4.5 percent. This could imply that the costs of treatment have increased or that the ability-to-pay of the patients have declined, which necessitated a higher growth rate of grants. The good news is that on a per-beneficiary basis, treatment cost actually decreased from $8.75k in 2011 to $8.1k in 2013, indicating the improved operating efficiency.

4. Composition of receipts per charity in the Sports subsector

Charities in the Sports subsector derived about half of their receipts from donations (average of 52.4 percent from 2011 to 2013) as shown in Figure 15.

---

Table 4: Government Grants for selected charities in the Health subsector ($m) (2011-2013)

<table>
<thead>
<tr>
<th>Charity</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>The National Kidney Foundation</td>
<td>5.7</td>
<td>11.2</td>
<td>22.4</td>
</tr>
<tr>
<td>Thye Hua Kwan</td>
<td>12.4</td>
<td>15.6</td>
<td>21.1</td>
</tr>
<tr>
<td>Bright Vision Hospital</td>
<td>14.6</td>
<td>12.1</td>
<td>14.0</td>
</tr>
<tr>
<td>SWAMI</td>
<td>6.0</td>
<td>7.3</td>
<td>8.5</td>
</tr>
<tr>
<td>HCA Hospice Care</td>
<td>4.6</td>
<td>6.0</td>
<td>8.4</td>
</tr>
</tbody>
</table>


(Source: Commissioner of Charities Annual Report)

Some of the biggest grant recipients are listed in Table 4 below:

Some of the charities with the largest donations in their receipts are shown in Table 5.

It is worth noting that the Football Association of Singapore obtained donations which were an order of magnitude higher than the second-highest VWO (Singapore Olympic Foundation). This may be due to a greater support of football by the public and corporates.

Table 5: Donations for selected charities in the Sports subsector ($m) (2011-2013)

<table>
<thead>
<tr>
<th>Charity</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Football Association of Singapore</td>
<td>16.8</td>
<td>20.9</td>
<td>23.7</td>
</tr>
<tr>
<td>Singapore Olympic Foundation</td>
<td>0.8</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Equestrian Federation of Singapore</td>
<td>0.8</td>
<td>0.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Singapore Table Tennis Association</td>
<td>0.9</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Singapore Disability Sports Council</td>
<td>0.8</td>
<td>0.2</td>
<td>0.9</td>
</tr>
</tbody>
</table>


5. Composition of receipts per charity in the Social and Welfare subsector

Referring to Figure 16, we observe that charities in the Social and Welfare subsector derived most of their receipts from others but it is less than half of total receipts (average of 44.8 percent from 2011 to 2013).

Charities in Social and Welfare subsector have the highest reliance on others compared to other subsectors. This suggests that charities in this subsector are most financially independent as others measures earned revenue from goods and services provided and investment income.

From Table 6, we can see that the receipts under others were very similar across the top five charities.

Table 6: Receipts from others for selected charities in the Social and Welfare subsector ($m) (2011-2013)

<table>
<thead>
<tr>
<th>Charity</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autism Resource Centre</td>
<td>5.1</td>
<td>5.7</td>
<td>6.2</td>
</tr>
<tr>
<td>Catholic Welfare Services</td>
<td>3.0</td>
<td>4.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Fei Yue Community Services</td>
<td>3.6</td>
<td>4.7</td>
<td>4.4</td>
</tr>
<tr>
<td>Cerebral Palsy Alliance</td>
<td>3.5</td>
<td>3.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Highpoint Community Services Association</td>
<td>-</td>
<td>2.0</td>
<td>1.9</td>
</tr>
</tbody>
</table>

6. Composition of receipts per charity in the *Religious and Others* subsector

As seen from Figure 17, charities in the *Religious and Others* subsector derived most of their receipts from *donations* (average 60.3 percent). This is not surprising as donations are most commonly offered in religious institutions.

For instance, City Harvest Church\(^7\) recorded a total of $111.85 m in donations for 2013 and $89.9 m for 2012.

We are unable to ascertain the top charities in this subsector as the charity-level data was not available.

\[\text{Figure 17: Composition of receipts per charity in the *Religious and Others* subsector ($m$) (2011-2013)}\]

(\textit{Source: Commissioner of Charities Annual Report})

7. Composition of receipts per charity in the *Community* subsector

As shown in Figure 18, charities in the *Community* subsector increasingly relied on *donations*; from 40.6 percent of total receipts in 2011 to 60.2 percent in 2013. The split between *donations* and *grants* was relatively constant from 2011 to 2013.

\[\text{Figure 18: Composition of receipts per charity in the *Community* subsector ($m$) (2011-2013)}\]

(\textit{Source: Commissioner of Charities Annual Report})

In addition, these charities were Welfare and Developmental Funds from Citizens’ Consultative Committees (CCC) as shown in Table 7 below.

\[\text{Table 7: Donations for selected charities in the *Community* subsector ($m$) (2011-2013)}\]

\begin{tabular}{|l|c|c|c|}
\hline
Charities & 2011 & 2012 & 2013 \\
\hline
Bukit Batok CCC & 0.9 & 1.1 & 1.0 \\
Taman Jurong CCC & 0.6 & 0.7 & 0.9 \\
Kreta Ayer-Kim Seng CCC & - & 0.3 & 0.4 \\
Jurong Central CCC & 0.4 & 0.6 & 0.1 \\
Bukit Gombak CCC & 0.4 & 0.6 & 0.0 \\
\hline
\end{tabular}


\(^7\) \textbf{http://www.socialimpactexchange.org/sites/www.socialimpactexchange.org/files/City%20Harvest%20FY13%20Audited%20Financials.pdf}
Food for Thought

In this section, we review some important ideas in philanthropic research to raise awareness of possible implications for both practitioners and policymakers.

We first look at the influence of economic conditions on the amount of donations raised, before moving on to the role of government policies such as how tax rebate influences donations, and finally the use of possible psychological cues to increase the amount of giving by donors.

1. Do donors give less during weaker economic conditions?

If this phenomenon were true, then it suggests that fundraising can be efficiently calibrated according to the economic condition. Specifically, one should increase the effort spent on fundraising when donors are more able to give, e.g., during good economic times as people may have relatively higher incomes.

According to Sim et al. (2015), charities with total operating expenses under $250,000 had the highest percentage of fundraising expenses at 11.07 percent in 2011. For 2012 and 2013, charities with total operating expenses in the $250,000 - $500,000 bracket had the highest percentage of fundraising expenses at 4.99 percent and 4.36 percent respectively.

Hence, increasing the efficiency of fundraising may make a difference for charities.

List (2011) notes that “while individual gifts are responsive to the economic environment, they are much more sensitive to economic upturns than to downturns”.

In particular, he finds that donors in the United States do not cut their donations as much during poorer economic conditions; they also increase their donations much more during better economic conditions.

Using U.S. data from the 2005 Centre on Philanthropy Panel Study (COPPS), Lam, Jacob, & Seah (2011) show that more than 60 percent of U.S. donations go to the religious sector.

It is noteworthy that U.S. donations are tax deductible, including those for religious giving. Hence, economic motivation is one of the main reasons for donations, including religious donations, in the United States.

Contrasting this with the tax code in Singapore, all donations to IPCs are tax-deductible, to the extent of 250 percent – 300 percent, with selective matched-funding from the government that ranges from 125 percent for the first $1 million and 100 percent for the next $1 million. Donations to religious charities, which are mostly non-IPCs, do not enjoy any tax benefits.

We did a partial duplication of List’s approach using data on tax-deductible donations in Singapore and the Straits Time Index (STI) from 2001 to 2014.

After removing outlier data points for 2007 and 2008 (i.e., the financial crisis), we ran a regression of percentage change in tax-deductible donations on percentage change in STI (lagged one period). This left us with eight (respectively three) data points for periods of positive (respectively negative) changes in STI.

Text deductibility differs by year of assessment. For more details, please refer to https://www.iras.gov.sg/irashome/Other-Taxes/Charities/Donations-and-Tax-Deductions/

For more details, please refer to http://www.comchest.org.sg/careandshare/vwo_sharing.html

An important caveat of this analysis versus that by List (2011) is that tax-deductible donations to IPCs in Singapore would exclude religious sector donations. Therefore, we do not expect the results to be directly comparable with those of List (2011) even if the underlying economic relations and dynamics are similar.

We do not expect any statistical significance with this small dataset. As an exploratory study, we replicate List (2011) to help us raise possible research questions for future research.
We found the regressor “percentage change in STI (lagged one period)” to be statistically insignificant at the 5 percent significance level, with negative adjusted R-squared values for both cases (i.e., periods of positive changes in STI and periods of negative changes in STI).

Future work could extend this explorative analysis further when there is sufficient data to evaluate the responsiveness of donations during both good and bad economic conditions. This addresses the question if donations are market sensitive, which would then have implications for strategic fundraising efforts.

2. Do government grants crowd out donations?

An increase in government grants may affect donations in two ways: (i) reducing it (crowding-out) if donors view the grant as a substitute for private giving (Heutel, 2014) or (ii) increasing it (crowding-in) if donors view it as a signal of the charity’s quality (Khanna & Sandler, 2000). In particular, crowding-out is detrimental as they reduce the impact of the grant.

Hence, policymakers may be interested in the magnitude and significance of these two effects in deciding on or evaluating their grant programmes.

Prima-facie, government grants and private donations seem to be positively related for Singapore (see Figure 19 below), although further analysis is required at the firm-level for a more definitive conclusion to be reached.12

Subsequent work by Andreoni and Payne (2011) has shown a second possible explanation for the crowding-out effect, i.e., indirect-effect. This indirect-effect is caused by the reduction in donations due to the charity’s reduced efforts on fundraising given the increased government grant.

This is important as the indirect-effect can be addressed through policymaking. For instance, requiring charities to match a grant with increases in private donation may address this problem.

3. Do tax rebates increase donations disproportionately?

If a reduction in tax revenue that arises from tax rebates increases the amount donated more-than-proportionately, the treasury saves funds as net public expenditure is reduced. This has implications for the efficiency in usage of public funds and should be carefully examined.

As List (2011) notes, empirical studies in the United States suggest that charitable giving is at least unitary-elastic, if not price elastic.13 Studies in the United Kingdom also showed similar results.14

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12 Again, we do not expect any statistical significance for this small dataset.

13 For example, see Joulaian (2000), Tiehen (2001), and O’Neil, Steinberg and Thompson (1996).

14 See Posnett and Sandler (1989), and Jones and Posnett (1991).
In Singapore, Wong, Chua and Vasoo (1998) find higher elasticity estimates than in the United States; approximately 2.0 percent to 5.5 percent change in donations were associated with a 1 percent change in the cost of donations.\(^{15}\)

Given the age of the research article, it may perhaps be helpful to have another analysis using more recent data as behaviour and attitudes could have changed over the last decade.

4. Does announcing the presence of matching grants increase donation amounts?

“The use of funds to ‘match’ contributions of others has become a popular way for philanthropic organisations to increase giving” (University of Chicago, n.d.).

In controlled random mail solicitations within the United States, Karlan and List (2007) find that the offer to match can increase the revenue per solicitation by 19 percent and the probability that an individual donates by 22 percent. However, larger match amounts had no additional impact on propensity to donate or the donation amount.

Among the regular opera attendees, Huck and Rasul (2011) find that straight linear matching schemes raised total revenues when the revenue from the match was included, but the match partially crowded out actual donations when it is excluded.

5. Does releasing upward social information increase donation amounts?

According to the Science of Philanthropy Initiative (n.d.), “providing donors with ‘upward’ social information (i.e., others are giving relatively more) leads to higher overall contributions and may actually increase future contribution levels.”\(^{16}\) Based on an experiment on radio by Croson and Shang (2008), they show that releasing upward social information tends to increase donation amounts, which corroborates the hypothesis.\(^{17}\)

Conclusion

In this paper, we find that the charity sector has been growing at a healthy annual rate of 15% from 2007 to 2013 in terms of total receipts. The biggest growth comes from others (i.e., the sale of goods and services by the charitable sector itself) at a CAGR of 13.6% from 2009 to 2013. This component of receipts is twice of that of donations made to the charity sector, suggesting that the charity sector overall has developed some measure of self-reliance.

Government continues to play a significant role in contributing about an average of 47% of the total receipts from 2009 to 2013 via grants, but its contribution has declined some from 48% in 2011 to 46% in 2013.

We also ascertain that different subsectors have different reliance on the three categories of receipts. We next identify some of the biggest players receiving the most receipts. This gives some granular insight into the data.

For instance, the Education subsector has the greatest reliance on government grants, which is not surprising as universities require funds to operate at the highest levels of research and teaching.

Finally, we explore how various factors – such as the prevailing economic conditions, usage of psychological cues, and the possible crowding-in effect of grants on tax-deductible donations – affect the amount of donations.

Shifting our view to future trends, it has been forecasted that the number of citizens aged 65 and above will triple to 900,000 by 2030 (National Popu

\(^{15}\) While their paper sheds light on the elasticity of giving, issues such as endogeneity and the use of an old dataset are present.

\(^{16}\) The converse also holds, with downward social information leading to reduced overall contributions.

\(^{17}\) For other examples, please see Shang and Croson (2009), and Martin and Randal (2008).
lation and Talent Division, 2013), which may lead to greater demand for elderly-care related services in the Social and Welfare subsector. This might be of interest to potential entrants as this subsector appears to be the most ready in adopting social entrepreneurship to build sustainability.

Bibliography


This is an exploratory study on the state of the charity sector in Singapore using the Commissioner of Charities Annual Reports from 2007 to 2013, available from the Charity Portal. The depth of analysis is much limited by the availability of inter-sectoral and intra-sectoral data as well as the length of time covered by each annual report.

While there are studies that use the same data, we attempt to rationalise the data trends and their implications for strategy making by would-be entrants, practitioners and policymakers.

We first present the broad trend in the net number and revenue growth of registered charities to understand the size of the sector and its financial health. Overall, the whole sector has been growing at a steady rate in terms of numbers and total amount of receipts which include grants, donations and others. Among the three components, grants, or the money given by the government, contributed the most to the total receipts. A more microscopic review shows that the percentages of others to total receipts are increasing.

We analyse the receipts per charity in each subsector at the level of the total receipts as well as its three components. It was observed that different subsectors have different mix of receipts with government grants dominating in the Education subsector, followed by the Arts and Heritage subsector and the Health subsector.

Taken together, this study could be of interest to aspiring entrants who wish to do good while staying afloat at the same time. For instance, the social and welfare subsector is able to generate a greater proportion of receipts from the sales of goods and services. This suggests that models employing social entrepreneurship may be appropriate in building sustainability in this sector.

Finally, subject to the data at hand, we explore the possible research questions raised in the literature that may be of relevance to practitioners and policymakers. We discuss topics such as the relation of donations and economic conditions, crowding-in or crowding-out effects of grants, the cost of donations, and fundraising strategies.

Given the trend of an ageing population, the Social and Welfare subsector may have a greater role to play in the future. Therefore, this warrants more in-depth research on these issues to bring innovation and sustainability in transforming society and community.