

A Comprehensive Study of Mental Budgeting While Making Charitable Donations

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Abstract

The purpose of the study is to empirically examine the mental budgeting while making charitable donations of individuals. The quantitative study approach has been used after conducting fifteen preliminary interviews from the knowledgeable persons those linked with NGOs and from the literature eighteen variables have been searched out. After the reviewing those variables only ten variables has been put forward for further findings. The sample of 175 has been chosen for study keen, strict and rigid process has been followed.

The findings of the study indicates that all other nine variables except income have the significant impact on the mental budgeting while making charitable donations and strong impact has been observed. The study was of academic level and having limited funds so the research was limited accordance of the geographic level.

Keywords: Mental budgeting, charitable donations, begging curse, mental calculation

Introduction

Mental budgeting is the name of soft accounting or psychological accounting. It is especially done for the purpose of managing small or large amount of finance. Mostly it should be done in small financing where the requirement of calculations should be limited. Mental budgeting is a soft form of budgeting where the outcome of investment should be measured by means of mental approach. It is also a way of allocating the finance to the required options which are necessary to take but their allocation proportion is different according to the requirements or according to the priorities.

Mental budgeting should be done at all levels whether it should be a small business, large business, house hold spending, donations, charity, gifting, at the time of purchase, entertainment, religious events, traveling, education expenses, even metal budgeting approach should be done twenty four hours whenever we are going to spend some amount of money. Mental budgeting is a flexible way of budgeting which can be reviewed any time before taking the decision or even some time taken decision should be reverted.

Whenever we are doing metal budgeting we are allocating our resources according to our mind or thinking which should be based on past experience, six senses, knowledge and priorities which have a strong influence on our mind and intrinsic level of budgeting. There should be no need of hard calculations for mental budgeting. All the calculations should be done in our mind according to our thinking ability. We may say that mental budgeting is the concept which is derived from mental processing for the allocation of resources to different heads always their output should be kept in mind. When we don't have the idea or knowledge just we are guessing the outcome of the heads and it gives a contribution to the future system like the expert systems in the artificial of intelligence.

The mental approach for financial management produces the better results when we analyze both the positive and negatives of the products for which we are investing and processing should be done in our mind for allocation of funds and also we have the required or sufficient knowledge and information. Quick mental response should be based on the involvement level, prior knowledge, mental ability, nature of the source, influence of others and also the income level.

Mental budgeting mostly should be done by low or middle income level people who's having scarce resources and wishing the use of their resources efficiently.

Problem Statement

Mental Budgeting is soft accounting done for the management of finance. It is done at all levels whether it is a small business, large business, house hold spending, donations, charity, gifting etc. The statistical work has not been done to study the relationship between the effects of different indicators on charitable donations under the mediating effect of mental budgeting. The developing countries like Pakistan need to know the contribution of these factors and the intensity of their impact on charitable donation via the mediating factor of mental budgeting.

Objectives of Study

1. To identify which income group spends more on charitable donations.
2. To identify how is charitable donation being effected by gender.
3. To identify which age group donates more.
4. To identify what is the role of beliefs and religion on charity giving.
5. To identify how knowledge effects mental budgeting while giving donation.
6. To identify if there is any influence of culture on charitable donations.
7. To identify whether charitable donations is affected by the individual expense.
8. To identify which income group spends more on charitable donations under the effect of mental budgeting.
9. To identify how is charitable donation being effected by gender under the effect of mental budgeting.
10. To identify which age group donates more under the effect of mental budgeting.
11. To identify what is the role of beliefs and religion on charity giving under the effect of mental budgeting.
12. To identify how knowledge effects mental budgeting while giving donation under the effect of mental budgeting.
13. To identify if there is any influence of culture on charitable donations under the effect of mental budgeting.

14. To identify whether charitable donations is affected by the individual expense under the effect of mental budgeting.

Literature Review

Mental accounting includes the mind calculations used by individuals or households for performing financial transactions (H.Thaler, 1999). It is a cognitive process whereby which an individual perceives the outcomes and decision is made on the basis of that perception. When the individuals are not able to achieve optimal solution for their problem they move towards satisfactory solution (Simon, 1955). It is a process by which people code, categorize and evaluate economics outcomes (H.Thaler, 1999). They generate multiple accounts for the same kind of resource. An individual may use different monthly budgets for various household items including grocery, shopping, eating outside, travelling etc.

Mental budgeting is used whenever some amount of money or finance is spent. It is a way of allocating the financial resources to the desired options that are necessary to be taken. But the allocation varies according to the requirements or priorities. Mental Budgets helps in making trade-offs between the uses of funds among different options (H.Thaler, 1999). The allocation of finance is made from the available budget to the various categories of expenditures including food, clothing, entertainment, donations, and charity, gifting and travelling. It is a flexible way of budgeting that can be reviewed any time and can be change any time.

Studies in consumer behavior imply that consumer use mental budgets in order to control their buying behavior (Heath, 1996) (Gerrit Antonides, 2011). Consumers have mental budgets for groceries in general (Heath, 1996). They also use mental budgeting for Christmas market shopping (Brida & Tokarchuk, 2015). It is relevant for small businesses in food industry. It is mostly present for regularly, routine based expenditures like grocery shopping etc. It is practiced to keep control of household finance, especially where the financial means are limited. If more money is available for the household, then there will be less mental budgeting. Moreover, with more life experience as indicated by age, there

will be less need of mental budgeting. There is higher level of cognitive reflection for men than women (Frederick, 2005).

The mental budgeting for financial management is most effective when we consider the both (positive and negative) aspects of allocation of financial resource to the concern head. There is no need of hard and lengthy calculations in this activity. Rather it is performed in mind by the use of our senses and past experiences. Mental budgeting is a binding which means that once the category of the budget is reached its limit, no more items can be purchased further (Heath, 1996).

Hypotheses and Theoretical Framework

- Hypothesis 1 (H1): Income group has positive and significant impact on charitable donations.
- Hypothesis 2 (H2): Gender has positive and significant impact on charitable donations.
- Hypothesis 3 (H3): Age group has positive and significant impact on charitable donations.
- Hypothesis 4 (H4): Beliefs and religion has positive and significant impact on charitable donations.
- Hypothesis 5 (H5): Knowledge has positive and significant impact on charitable donations.
- Hypothesis 6 (H6): Culture has positive and significant impact on charitable donations.
- Hypothesis 7 (H7): Individual Expense has positive and significant impact on charitable donations.
- Hypothesis 8 (H8): Mental budgeting mediates the impact of income group on charitable donations.
- Hypothesis 9 (H9): Mental budgeting mediates the impact of Gender on charitable donations.
- Hypothesis 10 (H10): Mental budgeting mediates the impact of Age group on charitable donations.
- Hypothesis 11 (H11): Mental budgeting mediates the impact of Beliefs and religion on charitable donations.
- Hypothesis 12(H12): Mental budgeting mediates the impact of Knowledge on charitable donations.
- Hypothesis 13(H13): Mental budgeting mediates the impact of Culture on charitable donations.
- Hypothesis 14(H14): Mental budgeting mediates the impact of Individual Expense on charitable donations.

Research Methodology

This research would be quantitative in nature. In order to achieve the desired objectives, structured questionnaire will be used as a research tool for data collection. To measure the impact of different factors on charity giving/ donations, under the mediating influence of mental budgeting, as shown in fig. 1.1, 5 point Likert scale will be used.



In SPSS, multiple regression analysis, correlation analysis and factor analyses will be performed in this research. Convenient sampling technique will be used to conduct the

research. Data will be collected through questionnaire from about 175 respondents. In this cross sectional study the primary data will be collected from graduate students of different universities in Pakistan, through questionnaires.

Discussion and Interpretations

Cronbach's alpha was used to determine internal reliability of variables. Nunnally proposed the criteria for determining the reliability of items in terms of alpha to be equal or greater than 0.60. The below mentioned table of Reliability analysis shows that 25 items of this research have .686 Cronbach's Alpha which has higher Cronbach's Alpha reliability than standard value.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.686	.595	25

The results in the below mentioned descriptive statistics shows the mean and standard deviation of each variable used in this research.

Descriptive Statistics

	Mean	Std. Deviation	N
mental budgeting	2.7200	.38513	175
income average	1.5771	.28182	175
gender average	1.3743	.34934	175
age group	2.56	.848	175
religion average	2.9171	.91930	175
knowledge average	2.7543	.82328	175
culture average	3.0571	.82326	175
expense average	3.1386	.76405	175
event average	3.0590	.77456	175
profession average	3.2086	.93353	175
begging average	3.1014	.82703	175

Modal summary of Regression analysis of income, age, knowledge, gender, religion, culture, event, profession, expenses and begging have been shown in the below mentioned table. The value of R square depicts the difference between dependent variable due to independent variable. According to the SPSS results, there is (.746) 74.6% influence of independent variables (income, age, knowledge, gender, religion, culture, event, profession, expenses and begging) on the dependent variable (mental budgeting).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.864 ^a	.746	.731	.19990	.746	48.187	10	164	.000

a. Predictors: (Constant), begging average, income average, age group, knowledge average, gender average, religion average, culture average, event average, profession average, expense average

The results of ANOVA in the below mentioned table shows that income, age, knowledge, gender, religion, culture, event, profession, expenses and begging curse of individual in the community have significant impact on mental budgeting

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.255	10	1.926	48.187	.000 ^a
	Residual	6.553	164	.040		
	Total	25.809	174			

a. Predictors: (Constant), begging average, income average, age group, knowledge average, gender average, religion average, culture average, event average, profession average, expense average

b. Dependent Variable: mental budgeting

The below mentioned table shows the significance and Beta values of independent variables on dependent variable. The results shows that all the other variables except income of the individual has significant impact on mental budgeting. So H1 is rejected and H2 to H10 are accepted.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.182	.163		1.116	.266
income average	.085	.056	.062	1.537	.126
gender average	.112	.047	.101	2.387	.018
Which age group does more mental budgeting?	.081	.018	.179	4.472	.000
religion average	.091	.018	.218	5.174	.000
knowledge average	.065	.019	.138	3.311	.001
culture average	.096	.019	.205	4.922	.000
expense average	.124	.025	.245	4.906	.000
event average	.051	.023	.103	2.248	.026
profession average	.107	.019	.259	5.665	.000
begging average	.134	.023	.289	5.870	.000

a. Dependent Variable: mental budgeting

The below mentioned table shows the descriptive statistics that mental budgeting is independent variable and charitable donations is dependent variable. The Mean value and Std. Deviation of the variables is also described in this table.

Descriptive Statistics

	Mean	Std. Deviation	N
charitable donations	2.7237	.45104	175
mental budgeting	2.7200	.38513	175

The correlation values between charitable donations and mental budgeting are described in the table given as,

Correlations

		charitable donations	mental budgeting
Pearson Correlation	charitable donations	1.000	.596
	mental budgeting	.596	1.000
Sig. (1-tailed)	charitable donations	.	.000
	mental budgeting	.000	.
N	charitable donations	175	175
	mental budgeting	175	175

Modal summary of Regression analysis of charitable donations and mental budgeting have been shown in the below mentioned table. The value of R square depicts the difference between dependent variable due to independent variable. According to the SPSS results, there is (.356) 35.6% influence of independent variables (mental budgeting) on the dependent variable (charitable donations).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.596 ^a	.356	.352	.36311	.356	95.480	1	173	.000

a. Predictors: (Constant), mental budgeting

The results of ANOVA in the below mentioned table shows mental budgeting of an individual in the community have significant impact on charitable donation which satisfy H14.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.589	1	12.589	95.480	.000 ^a
	Residual	22.809	173	.132		
	Total	35.398	174			

- a. Predictors: (Constant), mental budgeting
 b. Dependent Variable: charitable donations

The below mentioned table shows the significance and Beta values of independent variables on dependent variable. The results shows that mental budgeting of the individual has significant impact on charitable donations. So this accepts our hypothesis and the results shows that 59.6% impact on charitable donation is due to mental budgeting.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.824	.196		4.197	.000					
	mental budgeting	.698	.071	.596	9.771	.000	.596	.596	.596	1.000	1.000

- a. Dependent Variable: charitable donations

Collinearity Diagnostics^a

Model	Dimen sion	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	mental budgeting
1	1	1.990	1.000	.00	.00
	2	.010	14.236	1.00	1.00

a. Dependent Variable: charitable donations

In the analysis, when Charitable donations is dependent variable and all other variables are independent variables then the descriptive statistics of each variable is given in the below mentioned table.

Descriptive Statistics

	Mean	Std. Deviation	N
charitable donations	2.7237	.45104	175
income average	1.5771	.28182	175
gender average	1.3743	.34934	175
age group	2.56	.848	175
religion average	2.9171	.91930	175
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culture average	3.0571	.82326	175
expense average	3.1386	.76405	175
event average	3.0590	.77456	175
profession average	3.2086	.93353	175
begging average	3.1014	.82703	175

Modal summary of Regression analysis of income, age, knowledge, gender, religion, culture, event, profession, expenses and begging curse of individual with charitable donations have been shown in the below mentioned table. The value of R square depicts the difference between dependent variable due to independent variable. According to the SPSS results, there is (.886) 88.6% influence of independent variables (income, age,

knowledge, gender, religion, culture, event, profession, expenses and begging) on the dependent variable (charitable donation).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.941 ^a	.886	.879	.15706	.886	127.089	10	164	.000

a. Predictors: (Constant), begging average, income average, age group, knowledge average, gender average, religion average, culture average, event average, profession average, expense average

The results of ANOVA in the below mentioned table shows that income, age, knowledge, gender, religion, culture, event, profession, expenses and begging curse of individual in the community have significant impact on charitable donation.

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.352	10	3.135	127.089	.000 ^a
	Residual	4.046	164	.025		
	Total	35.398	174			

a. Predictors: (Constant), begging average, income average, age group, knowledge average, gender average, religion average, culture average, event average, profession average, expense average

b. Dependent Variable: charitable donations

The below mentioned table shows the significance and Beta values of independent variables (income, age, knowledge, gender, religion, culture, event, profession, expenses and begging curse of individual) on dependent variable (charitable donations). The result shows that all the independent variables except age group and gender of individuals in the community have significant impact on charitable donations.

Coefficients^a

		Unstandardized		Standardize	T	Sig.	Correlations			Collinearity	
		Coefficients		d						Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.143	.128		-1.116	.266					
	income average	.147	.044	.092	3.374	.001	.053	.255	.089	.938	1.067
	gender average	.055	.037	.043	1.492	.138	-.200	.116	.039	.856	1.168
	age group	.007	.014	.014	.522	.603	-.099	.041	.014	.964	1.038
	religion average	.071	.014	.145	5.143	.000	.420	.373	.136	.875	1.143
	knowledge average	.092	.015	.168	6.020	.000	.364	.425	.159	.892	1.121
	culture average	.068	.015	.123	4.411	.000	.360	.326	.116	.893	1.120
	expense average	.189	.020	.319	9.517	.000	.722	.596	.251	.619	1.616
	event average	.174	.018	.299	9.718	.000	.644	.605	.257	.737	1.357
	profession average	.059	.015	.122	3.972	.000	.519	.296	.105	.740	1.351
	begging average	.180	.018	.330	10.013	.000	.721	.616	.264	.641	1.561

a. Dependent Variable: charitable donations

Conclusions

After the analysis I have reached at the conclusion that all the variable of charitable donation (Gender, knowledge, age, religion, culture, expenses, events, profession and begging) has significant impact on mental calculation while making donations except income. ANOVA depict that the overall modal is significant. The significance of the ANOVA demonstrates that the regression analysis is interpreting the true consequences. All of the above results show that all the variables affecting on mental budgeting are positively related to the charitable donations and has significant relationships

Furthermore, the consequences of the correlation analysis depict that all the above mentioned variables have positive relations except the income, all the hypothesis have been accepted only the single hypothesis has been rejected which is the income has a positive impact while making charitable donations.

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