

**PHILANTHROPY  
WEEK**



## South Africa: Current trends in philanthropy in South Africa

# South Africa: The role of philanthropy in disaster management: Covid-19

Wycliffe Ouma, Ph.D. – Managing Knowledge and Specialized Projects at CAFSA

Gill Bates, CEO – Charities Aid Foundation Southern Africa (CAFSA)

## Abstract

Philanthropy in its entirety is experiencing seismic shifts both in terms of the ecosystem and the practice itself. Recent global developments call for innovative ways of approaching this new world order. As observed in anecdotal evidence, Philanthropy is undergoing a transformation challenging the established order of the ecosystem. African philanthropy on its own is currently grappling with issues such as localization, south-south approach, and inward-looking (harnessing the local capacity) for resource mobilization. For starters, Covid-19 pandemic revealed the potential of philanthropy in addressing pressing needs in society. This was mainly revealed by giving patterns that took totally different dimensions never imagined before. Philanthropy responded in unprecedented ways, not only with the sheer magnitude of large-scale giving but also by investing in new vehicles of giving. Examples like the Solidarity Fund in South Africa remain ingrained into the hearts of many, but more so in the practice of benevolence. This period also mainstreamed the use of technology in giving. For instance, crowdfunding, although has existed for a few decades, the pandemic revealed the potential this platform possesses in rising financial resources for the unmet needs in society. In this article, we take a closer look at some of the emerging patterns of giving in South Africa.

## Introduction

Philanthropy in its entirety is experiencing seismic shifts both in terms of the ecosystem and the practice itself. Recent global developments call for innovative ways of approaching this new world order. As observed in anecdotal evidence, Philanthropy is undergoing a transformation challenging the established order of the ecosystem. African philanthropy on its own is currently grappling with issues such as localization, south-south approach, and inward-looking (harnessing the local capacity) for resource mobilization. For starters, Covid-19 pandemic revealed the potential of philanthropy in addressing pressing needs in society. This was mainly revealed by giving patterns that took totally different dimensions never imagined before. Philanthropy responded in unprecedented ways, not only with the sheer magnitude of large-scale giving but also by investing in new vehicles of giving. Examples like the Solidarity Fund in South Africa remain ingrained into the hearts of many, but more so in the practice of benevolence. This period also mainstreamed the use of technology in giving. For instance, crowdfunding, although has existed for a few decades, the pandemic revealed the potential this platform possesses in rising financial resources for the unmet needs in society. In this article, we take a closer look at some of the emerging patterns of giving in South Africa.

# A. Crowdfunding

The global financial crisis (GFC) of 2007 – 09 is deemed to have catalyzed crowdfunding as a form of financial resource mobilization (Lenart-Gansiniec and Chen, 2021). In the Post GFC, a number of nonprofit organizations resorted to crowdfunding as a cheaper and alternative avenue for raising financial resources (Hassen and Ouertatani, 2021). Although crowdfunding had been in existence for quite some time, its ubiquitous adoption is empirically traceable to the events following the global financial crisis of 2007-09 (Pichler and Tezza 2016; Gierczak et al., 2016). Since then, its popularity has exponentially grown as a viable alternative form of financing. For the nonprofit sector, crowdfunding has opened new innovative platform for fundraising to address various unmet needs in the society. For instance, during the Covid-19 pandemic large sums of financial resources were marshaled through the platform (Igra et al., 2021).

Crowdfunding operates differently from the traditional forms of fundraising and is believed to be fast-growing due to its potential (Markina, 2017) especially for addressing the unmet societal needs through philanthropic actions. In Africa and Asia, World Bank has identified crowdfunding as a potential accelerator for access to financial resources for different players in Afrasian economies including the nonprofit sector ([The World Bank Group 2015](#)). A form of Crowdfunding known as reward-based crowdfunding is a method of raising funds for a project or a cause by appealing directly to the public. This technique allows potential investors or groups of individuals to donate or invest resources directly into a cause or a business that appeal to them (Lambert & Schwienbacher, 2010; Adjakou, 2021).

For charity organizations and social entrepreneurs (Rey-Martí, Mohedano-Suanes, and Simón-Moya 2019), traditional methods of fundraising such as qualifying for a bank loan with an applicable interest rate, might be an expensive choice. Crowdfunding not only offers an alternate source of income, it also enables fundraisers to connect with potential donors from around the globe. As a result, crowdfunding can help assist philanthropic endeavors by making it quicker and easier to discover sizable financial sources (Pietro et al., 2019). Thus, the widespread donors act as philanthropists and never receive monetary compensation in return (Xiao and Yue, 2021). This also makes it possible for these organizations to use online platforms to solicit ideas and funding from a large and diverse crowd unlimited by any physical boundary (Zhao and Shneor, 2020). The crowd may include friends, families, customers, individuals, and one's network, and the funds raised can be used to fund everything from a business activity to an individual cause. In addition to obtaining funds, initiators may have other considerations when choosing to crowdfund. They can build relationships with users and supporters and gain their support and input which can be leveraged on to track the progress of other initiatives on social media and other online platforms. This is primarily because in many cases 'crowdfunders' are more agile and technologically survey. This also allows the organizations to advertise their initiatives and activities among many social network users thus making their job visible and may inspire others to succeed (Gerber and Hui, 2016).

The crowdfunding process involves three groups of people:

- The individuals or organizations who submit funding proposals for ideas and/or initiatives.
- The crowd of supporters of the plans.
- The organization, website, or platform that connects the project's initiator with the general public.
- 

## **Crowdfunding in the context of South Africa**

To begin, the individual/organization seeking funds for a particular cause or charity creates a profile for their idea on a crowdfunding platform, mainly leveraging on the use social media to popularize the idea to generate funds (Kubheka 2020). In the South African case, a variety of approaches exist where initiators use online platforms to raise money from a large group of people to support their initiatives. A platform such as 'BackaBuddy' allows both individual charity organizations to create a campaign to raise funds provided it creates a positive impact on individual, community and the environment ([BackaBuddy](#)). The campaigns may include individual medical procedures, studies, memorials, and many others. This way, crowdfunding is seen as a tool for building trust and common bond among the initiators and the crowd across South Africa. This is achieved by people coming together to help those in need, discovering common ground, and bridging historical divides (Barnard, 2019) – similar to a well-established black tax system in South Africa.

The disparity between crowdfunding platforms and other types of fundraising is, however, substantial. The former has three distinct characteristics that may not be found elsewhere (Giudici et al., 2012). These include the existence of an enabling organization to which those seeking financial support (initiators) and those having capital (supporters) are linked through a direct interaction between charity organizations and a large pool of online small-scale donors. Crowdfunding eliminates the bureaucratic roadblocks usually associated with conventional fundraising methods (Read 2013; Flanigan 2017). In South Africa, NPOs are allowed to use the crowdfunding platforms to support various projects. This is because it has the potential to reach a much larger and more diverse audience than a nonprofit's regular top-down donor fundraising approaches. Furthermore, charitable organizations and individuals who have identified a specific need are at liberty to sign-up into the available crowdfunding platforms to seek unlimited financial support.

The origin of crowdfunding is traceable to the 18th century when Ireland experienced famine and was seen as a model for microfinancing. Despite the relevance at inception, the approach was seen as a hope to fund innovative projects that ordinarily would not have taken place. The phenomenon is considered as a niche rapidly growing in diverse countries. For the philanthropy sector, it is beginning to be recognized as a more realistic alternative to traditional forms of fundraising. According to Statista (2021), transaction value in the Crowdfunding category is expected to reach US\$1,145.8 million in 2022 globally. The transaction value is estimated to grow at a 1.67 per cent annual rate (CAGR 2022-2026), resulting in a total sum of US\$1,224.4 million by 2026. In 2022, the average funding per campaign in the Crowdfunding segment will be \$6,228.

According to Afrikstart, the crowdfunding industry in Africa is dominated by South Africa. As of 2015, South Africa had the most operational and profitable crowdfunding platforms in Africa. About twenty-one (21) out of the fifty-seven (57), representing 37% of the platforms in Africa, were from South Africa. In addition, more than 90% of total funds raised by African platforms (\$30.8 million) in 2015 were from South Africa.

### **Brief history of crowdfunding in South Africa**

Crowdfunding is not a novel idea in South Africa. Stokvels, in which members contribute tiny or equal sums to a pool each month, from which each member receives cash in turn, have been employed by societies for a long time. The widespread use of social media and the internet have been crucial in establishing the culture of crowdfunding in South Africa. The platform has steadily gained popularity in the twenty-first century among individuals, nonprofit organizations, social entrepreneurs, and even Small and Medium Enterprises (SMEs) looking for funding for their operations. This form of resource mobilization is simple to start and carry out because it is not reliant on conventional financial markets or top-down donor funding systems. Since its inception in South Africa, numerous initiatives aiming at enhancing society have grown and thrived, including social entrepreneurship, impact investing, and a range of social causes (Ceulemans, Collet, and Humblet 2020).

In recent years, crowdfunding websites have developed in South Africa to raise money for a variety of reasons, including charitable organizations, singers, artists, ideas, studies, and more. The Islamic Relief Crowdfunding Platform was the first platform to go live in South Africa in 1984 (Adjakou, 2021). This donation-based model was aimed at assisting the poor and those in need, regardless of race, color, political affiliation, gender, or creed, to live a sustainable, self-sufficient life in secure and compassionate communities. Later, other platforms such as JustGiving, Angel investment network, and BackaBuddy were launched. Following this, several crowdfunding platforms have been established, while other sites such as StartMe, ChangeLivesNow, Lendico and Citysoiree are more active (Adjakou, 2021).

The last two years saw exponential growth and popularity of crowdfunding in South Africa mainly due to the impending Covid-19 pandemic in 2020. Many firms were left without income and with rising operating expenses during the lockdown, and they had no access to usual funding methods or Covid-19 relief assistance (Mogotsi, Ouma and Moyo, 2022 forthcoming). Interest in crowdfunding soared as a result of this, coupled with the pandemic's digital transformation (Elmer et al., 2020). Another area that has been highly hit by Covid-19 is that of nonprofit organizations (NPO). Most NPOs are now facing the prospect of downsizing and retrenching employees as demand for their services grows. Also, the impact of social distancing affected service delivery to beneficiaries as well as the ability to interact with donors in person. Nation Builder conducted a survey in July 2020 to understand the challenges that nonprofit organizations faced in South Africa during the pandemic. Of the 733 respondents from 717 organisations, 61% reported reducing the number of staff members, 61% increased overheads due to increased demand for services, and 72% of respondents said there was an increase in demand for their services. According to Trialogue, 24 per cent of the NPOs in South Africa said their funding had stopped or been put on hold, while 19 per cent said it had been reduced.

According to SME South Africa (2022) research, crowdfunding sites like Thundafund, Uprise Africa, Jumpstarter, and BackaBuddy experienced increased activity since the statewide lockdown was announced. The number of campaign submissions increased by 32%, while individual donations increased by 72% (SME South Africa, 2022). During the shutdown, the equity crowdfunding platform Uprise Africa saw a 200 per cent increase in applications from companies looking to raise funds in exchange for stock. For the third sector, BackaBuddy platform with over 3,200 charities on their platforms reported to have raised over R200 million to support various charitable causes in 2020. According to Statista, transaction value in the South African Crowdfunding category is expected to reach US\$0.4 million in 2022. In addition, the transaction value is estimated to grow at a 0.91 per cent annual rate (2022-2026), resulting in a total sum of US\$0.5 million by 2026. Governmental support and large donors are needed to increase the impact of NPOs and charitable crowdfundings in South Africa.

## **Some forms of crowdfunding in South Africa**

Crowdfunding is a broad term that encompasses a variety of methods. Like those in other countries, South African platforms distinguish between equity-based, credit-based, donation-based, and reward-based crowdfunding.

### **Donation-based crowdfunding**

Donation crowdfunding is when people give money to a company or an individual to support them with a project or a commercial activity. This charitable giving approach helps donors give to individuals in need of help without any constraints. It is a type of philanthropy that offers monetary support to charities. The person who gives the money does not receive any returns. People put money into a cause because they believe in it. Individuals donate their money for social or personal reasons. This type of crowdfunding aids fundraisers in raising awareness and fundraise to support a societal cause. Non-monetary giving is equally significant. Example of this platform includes Thundafund and Islamic relief.

### **Reward-based crowdfunding**

One of the most widely used strategies is reward-based crowdfunding. In this form, business owners ask the public for financial contributions in exchange for a good or service. This is comparable to donation-based crowdfunding, with the exception that donors receive rewards for their contributions to projects. Depending on the amount donated, campaigns often offer different tiers of prizes. The funders will be compensated once this is achieved. An outstanding illustration of this is the sponsorship of the digitalization of Cape Town's Labia Theatre, which gave donors access to the venue as well as seats for some performances or recognition on the screen before a performance. In South Africa, one of the major reward-based crowdfunding platforms is called Thundafund.

### **Debt-based crowdfunding**

People lend money to individuals or businesses in exchange for a financial return in the form of interest payments and capital payback over time. Investors are paid interest on their money. It's also known as peer-to-peer lending because it allows people to lend money without going through traditional banks. The rewards are monetary, but investors also have the satisfaction of contributing to the success of a concept they believe in. When relatively tiny sums of money are lent to the poor, and the lender is rewarded for having a positive social impact, this is known as microfinance. A typical example of this is Rainfin, a peer-to-peer crowdfunding platform that seeks to support corporates and established businesses in South Africa.

### **Equity-based crowdfunding**

This form of fundraising is not popular with nonprofit sector or charity organizations operating without the aim of profit. In equity-based crowdfunding, donors are compensated with a stake in the business in the form of shares or a proportion of the business. Also, startups/companies use this technique to raise capital from a large pool of investors on a platform. The Enterprise then uses the funds to launch its business. This form demands the most regulation because members of the public become owners of the business and have rights relating to their investment. According to AfricArena (2021), investors are expected to wait until the startup is acquired Uprise Africa is South Africa's first equity crowdfunding platform. They allow individuals to invest in early-stage companies in exchange for equity.

## Challenges and potentials

Despite the phenomenal rise of crowdfunding in South Africa, many people, including authorities, are unfamiliar with the approach. There isn't currently a formal law that governs the platform. Evidence suggests that because regulators lack knowledge of innovative emerging economies, official regulation stifles innovation (African Crowdfunding Association, 2019). One strategy to aid in the development of a sound regulatory environment for crowdfunding platforms may be to learn from the experiences of other countries.

Due to the fact that crowdfunding platforms are primarily found online, dangers like fraud, money laundering, a lack of due diligence, platform failure, and poor disclosure are frequent. Since the majority of these risks are connected to market activity, South Africa's Financial Conduct Authority is anticipated to oversee future regulation of crowdfunding beginning on April 1. The Twin Peak regulatory concept, in which rules target market behavior to safeguard financial customers, has already been adopted by South Africa. Online crowdfunding systems are heavily reliant on having access to digital networks like social media and networking sites as well as web-based platforms, where an internet connection is necessary for adoption and spread. The lack of internet infrastructure and low internet penetration in many regions of the country poses a significant barrier to the model's development in South Africa. About 64% of South Africa's population had access to the internet in 2021. While this seems a bit excessive, over 40% of the population still lacks access to the internet, which slows down the adoption of crowdfunding as a substitute method of gathering money for various unmet social needs.

Social trust and poverty are other issues that South Africa's crowdfunding industry must contend with. Approximately 55% of the population is currently considered to be living in poverty. The amount of contributors on crowdfunding platforms may be impacted by this. Additionally, from a socio-normative perspective, it is usually noted that African nations have a low level of social trust (Delhey and Newton 2005). This may further affect the appetite of crowdfunding donors (the population) (Chao et al., 2020).

Another problem that may hinder the platform's success is the lack of government funding for NPOs in South Africa. When the government issued R500 billion in social and economic packages during the pandemic in 2020, the South African government had no relief packages for nonprofits, despite the

Using web-based technology like social media, crowdfunding is a fast-growing alternative financial method. The South African crowdfunding market is expanding quickly. The majority of NPOs and SMEs were left without any income during Covid-19, faced increasing operational costs, and lacked access to either conventional financing sources or Covid-19 relief funds. This is expected to stimulate interest in crowdfunding. The combination of high internet and mobile penetration rates in South Africa and high levels of individual giving challenges NPOs, fundraisers, and other development stakeholders to fully embrace and maximize the opportunities presented by crowdfunding in a rapidly changing world.

According to research, one of the biggest benefits of crowdfunding is its ability to work in a similar way to social media, allowing project creators to make personal connections and communicate with a large number of people who are interested in the future of cause or a project. This occasionally invokes the emotional connection prompting individuals to act (Parker, 2014). Since more than half the population in South Africa has internet access, a great opportunity exists for crowdfunding penetration in South Africa.

Although many NPOs in South Africa struggled during the pandemic, many received support and adapted with surprising agility in the face of the crisis. Crowdfunding platforms such as BackaBuddy; Brownie points; Click 'n Donate; org; Doit4Charity; forgood; GivenGain; Jumpstarter; MySchool MyVillage MyPlanet; Pledge-a-Portion; WeBenefit appealed to many individual donors and mobilised funds for various charity needs during the pandemic. Because attracting new conventional donors was challenging due to the impact of Covid-19, the preponderance of this new mix presents a viable opportunity for raising financial resources for such organization going into the future.

Over the last two decades, philanthropy has emerged as an important component of retail strategy, with recent contribution rates outpacing those of non-retailers (Amato, 2012). The idea of knocking on doors or standing outside a store with a bell ringing to solicit donations seems obsolete. However, according to a recent survey, retail donations/funds added to sales at the point of purchase are thriving alongside online donations. Retail giving, also known as individual fundraising/Retail fundraising, refers to large-scale fundraising from individuals who like to donate to a cause while making purchases from retail stores during in-person and online purchases. This fundraising method is gaining popularity among charities worldwide as an untapped or underutilized resource (Li et al., 2021). This style of philanthropy is seen to bring a positive towards retailers and helps them to improve their market competitiveness (von Schnurbein et al., 2016).

## B. Retail Giving in South Africa

Consumers are becoming more interested in retail charitable giving and cause marketing. Even as they cut back on their own spending, consumers are more likely to buy cause-related products or support retailers who assist the needy (Elg & Hultman, 2016). According to a November 2007 survey by Opinion Research for Cone, when consumers were asked to choose between two gifts priced the same and of comparable quality, 77 per cent of 1,070 polled preferred one supporting a cause. This illustrates a shift in consumers preference to supporting philanthropic causes.

Retail giving can take many forms, including cash donations, recurring giving, or regular donations at any frequency (i.e., monthly, biannual, annual), legacy gifts, payroll giving, and digital giving such as online fundraising campaigns. Many organizations have a strong donor and advocate base, but this method of fundraising needs to be explored and maintained. Retail giving, when done correctly, can result in an ongoing stream of funding, deeper levels of engagement, and a thriving and growing community base for an organization. This will also result in income diversification, less reliance on a few large donors, and, as a result, more resilient, income-shock-resistant, and sustainable organizations (Amato, 2012; Gerosa, 2017).

Despite the evidence of growth in retail giving, large, nationally, and internationally recognized retailers only account for a small portion of the philanthropic landscape. Small retailers with roots in the community contribute to a wide range of charitable causes, including sports teams, schools, and non-profit organizations. New online retailers who sell fixed-priced fair-traded and environmentally friendly products, and those that sell products from companies that give back to charitable organizations, represent a new direction for retail philanthropy and social marketing (Barach & Zimmer, 1986; Amato, 2012). While most non-profits cannot expect such a flood of cash to come through the internet doors tomorrow, survey data show that retail giving is a new approach to receiving donations.

Every day, millions of South African visit retail stores, either physically or digitally. The retail market is rapidly changing and evolving, with innovation being one of the most important success factors for survival. It also suggests that retail giving has a potential of growing the charity donations landscape to support various philanthropic causes (Masojada, 2020). This is largely due to South Africa being considered as a nation of givers given its socio-economic pas, thus, most consumers are more conscious when buying items because they are more interested in patronizing items that support social causes (Everatt & Solanki, 2005).

### **Retail giving in South Africa**

The retail market in South Africa is characterized by a strong formal and informal retail trade presence. The country's diverse population, which includes people of various cultures and ethnicities, provides opportunities for various retailers and brands to thrive. Regardless of the kind of product on offer, there is almost always a niche target market for it. With over 25 million square meters of formal retail space, over 2,000 existing shopping centers, and close to three million square meters of formal space in the pipeline, competition in the South African retail market is fierce. As a result, new offerings within centers, new retailer products, and the philanthropic causes they support are critical in attracting market share (South Africa Giving, 2019).

South Africa's online retail sector, while small compared to international markets, is rapidly expanding in scope and value. The contribution of the retail share to GDP in 2021 was around 17% (Stats SA, 2021). Investment in technology and supply chains are increasing, and the coronavirus outbreak and lockdown have resulted in an unprecedented increase in online spending and adoption (Masojada, 2020).

Despite the impact of the pandemic on consumers, people in South Africa continue to give at the same rate they did in previous years. A survey conducted in 2021 shows that eight out of ten people have given money to a non-profit, charity, or towards any philanthropic project. Specifically, the majority of the respondents also indicated that they are interested in buying from and supporting retailers who contribute to a social project. Therefore, it is not surprising that in 2021, retail shops spent over R10.7 billion on corporate social responsibility and philanthropic activities (Rooi, 2021). Reflecting South Africa's high participation rates, the majority of those polled believe that non-profit organisations (NPOs) have positively impacted their local communities, South Africa as a whole, and internationally.

## **A brief overview of some organisations involved in retail giving**

Despite the country's challenges, such as inequality, poverty, and unemployment, it is heartening to see that, despite the difficulties, a culture of giving remains at the heart of South African vibrant society (Leibbrandt et al., 2010; Bruhn & Rosberg, 2019). Below is a description of how some organisations engage customers in retail giving. The case studies also provide insight into how retail operates in South Africa. The case study considers three retail companies (i.e., Dis-Chem, Pick n Pay and KFC), who are among the top retail companies in South Africa involved in retail giving. The selection of these retailers also helps to underscore how retail giving operates within the different segments of retail companies in South Africa. Another potential consideration is the availability of retail giving information on their platforms.

### **i. Dis-chem**

Dis-chem owns and operates a pharmacy store network in South Africa. It sells medications, cosmetics, supplements, toiletries, and other health-related items. It has been South Africa's first choice pharmacy since 1978. Corporate social responsibility is an important component of Dis-Chem's ethos, and they are dedicated to giving back to the communities in which they operate. Through Foundation-initiated projects, Dis-Chem aims to have a genuine and long-lasting impact on communities.

### **ii. Pick n Pay**

Pick n Pay is the largest retail donor to Food Forward South Africa, a food security organisation formerly known as "FoodBank". Food Forward has provided food to over 4,450 beneficiary organisations across South Africa due to their collaboration, which in turn provides more than 11 million meals per year.

As a result, Pick n Pay, and its partners have joined forces to provide an opportunity everyone to support Feed the Nation Foundation, a public benefit organization that began in 2020 which seeks to support poor communities affected by the Covid-19 pandemic. Feed The Nation has raised millions of Rands and provided millions of meals to children and other vulnerable individuals, including the disabled, by collecting donations made by shoppers at cash desk in-store or online. So far Feed the Nation has been able to provide about R28 million meals since the beginning of covid-19 in South Africa. This is as a result of malnutrition and hunger in South Africa. Add Hope feeds over 150 000 underprivileged children nutritious meals to help them cultivate a brighter future through the combination of KFC and R2.00 donations from their customers.

## **Challenges and potentials**

Despite the efforts made by retailers to increase retail giving, the economic downturn over the past two years has had a negative impact on both in-person and online retail giving. Many households have less money to give to charity as a result of the economic unpredictability and hardships brought on by the Covid-19 pandemic. People are giving to charities less frequently as a result of this. Additionally, a significant contributor to this downturn is attributable loss of faith in the fundraising industry. This has further been made worse by widely reported instances of misconduct and rising donor expectations for transparency. To worsen the situation further, the conviction and sentence of former President Jacob Zuma by Pietermaritzburg high court in 2021 sparked the riot in South African. This undesirable situation resulted in looting, destruction, and closure of numerous retail businesses in Kwazulu Natal, Gauteng, the Eastern Cape, and other provinces. This affected retailers' income, creating a ripple effect on the social and philanthropic projects they support. To compound the situation, South Africa does not have a pacific regulation on retail giving. Retail donors are not sure whether retailers use the exact amount received from donors to support charity. This is a great call to the regulators of the retail industry to ensure that their philanthropic projects are well monitored. This will raise the general public's confidence to support any cause retailers/NGOs have because donors know that their contribution will not be misappropriated.

Retail stores play a critical role in connecting manufacturers of goods with end users. They provide a convenient environment for customers to compare and select from various manufacturers in order to find the best price and offering for their needs. South Africa's retail trade increased by 7.7 per cent year on year in January 2022, up from an upwardly revised 3.2 percent increase in the previous month, exceeding market expectations of a 4.9 percent increase. This suggests that the number of consumers and purchases are on the rise. This presents a great opportunity to attract more customers to support charity and philanthropic initiatives adopted by the retailers. Also, since South Africans are naturally inclined to give, retailers can capitalize on this to increase publicity on retail giving so as to attract more customers to donate. Again, the retailer's online platform can be enhanced to attract more givers. Further, a well-

structured regulatory system will provide oversight and transparency in retail giving. This will encourage retailers to provide annual reports on the amount of donations received and the amount spent on specific projects every year. In this regard, donors confidence in retail giving will be boosted as they will know exactly what their money is being used for.

## C. Mobile Giving

Technology has made it possible to give in various ways to support social projects and philanthropic activities. One of these is called “mobile giving,” also known as “mobile donation.” Mobile giving is defined as the process of donating to a cause via mobile device. Mobile giving is typically made through SMS or phone calls (Smith, 2012). This technique of giving is often used by non-profits and charitable organizations to raise money for philanthropic activities. In this sense, organisations create fund-raising campaigns that target individuals and incentivize charitable giving by using mobile applications or mobile services such as SMS messages (Lee et al., 2017). Mobile giving bridges the gap between in-person and online fund-raising by allowing recipient to collect donations in situations such as live events by utilizing online giving technology. It also allows recipient to keep donors engaged with the campaign and in touch for future fundraisers.

Mobile giving is a new type of platform that provides donation services via a mobile app. In the way that it encourages continuous donation, mobile giving platforms have evolved differently from offline giving platforms (Kim et al., 2015). Donations can be made via mobile phone by texting a keyword to a specific SMS short code. Donations are confirmed via text message to the donor’s mobile phone, and the donation is charged to the donor’s monthly phone bill. Mobile devices, at their core, offer a plethora of advantages to consumers, including lower transaction costs, portability, ease of use, and consumer ubiquity (Jack & Suri, 2014). The use of mobile devices has spawned a slew of new economic opportunities within the traditional for-profit sector (Ghose et al., 2013).

### **Mobile giving in South Africa**

Prior to the twenty-first century, sending money between mobile handsets in South Africa was a nightmare. To donate money to a project or charity, people and organizations had to make lengthy excursions to towns and programs. In 2022, South Africa will have over 25.5 million smartphone users. World Bank report estimates that in 2020, South Africa had about 96 million mobile cellular connections. This demonstrates that mobile usage has increased across the nation.

The rise in smartphone usage has boosted mobile giving in South Africa. With the advent of mobile devices, people can easily give and receive donations for societal projects. This has highly improved mobile donations towards charity and philanthropic activities. For instance, in 2008, South Africa raised about \$85,000 towards Nelson Mandela’s charity through the Zain mobile network. This was a call to give towards Mandela’s 90th birthday; well-wishers from all over the world could text in a birthday wish and donate at the same time. Following this, a number of mobile giving platforms have been created to receive donations for different motives.

Regardless of the income inequality, it is clear that South Africa is a nation of givers. This serves as a major driver to charitable and philanthropic giving in the nation, providing relief for so many affected people. It is also important to note that mobile networks, in fact, are the primary drivers of financial inclusion on the African continent. Unlike traditional financial services structures, mobile phone services are not limited by region or working hours. As a result, a mass-market of financial services for previously unbanked and unserved people has emerged.

In South Africa, the act of giving through mobile devices takes two forms. Thus, Premium SMS Giving and WAP donations. The premium SMS giving/donation uses text messaging or SMS as the common method of mobile giving. Donations can be made via mobile phone by texting a keyword to a specific SMS short code. The fund-raising organization chooses the keywords, which usually relate to the organization’s cause or purpose. Donation amounts are predetermined, and users frequently have a monthly limit on how many donations they can send via SMS to a single campaign. Users receive a confirmation text message after donating, and the donation amount is added to their monthly phone bill.

A mobile WAP website can also be used to donate via mobile. Cell phone users can access WAP donation pages by sending a specific text message to a designated keyword and receiving a link to the page in response or by navigating to the page from a referring site. When users arrive at the WAP donation page, they are asked to enter their cell phone numbers. Donations are confirmed via text message to the donor’s mobile phone, and the donation is charged to the donor’s monthly phone bill.

## Mobile giving platforms in South Africa

Mobile giving is still a new phenomenon in South Africa. Different organisations have begun using this platform to receive donations for social and philanthropic projects. A brief overview of some organizations using this platform for receiving donations have been explained below:

### i. Channel Mobile

Channel Mobile is a complete mobile communications agency that specialises in engaging in innovative mobile communication programs, promotions, and campaigns. They are based in Cape Town and have been in existence for the past 20 years. Their aim is to receive support through mobile devices to support over 1000 clients.

Channel mobile was the first to launch a PC to mobile phone SMS solution for the automobile industry, pioneering the use of SMS as a communication medium for South African corporate companies. Since then, they have experienced tremendous growth across business industries and expanded their suite of mobile communication solutions. They use different mobile networks such as Cell C, MTN, Vodacom and Telkom mobile.

Currently, they provide solutions across industry segments for customer care, customer engagement, and retaining customers – all via their preferred channels, such as WhatsApp, SMS, or USSD. Their mobile solutions include everything from bulk messaging to custom live helpdesk software. Their products enable brands and businesses to communicate effectively with their customers, employees, and other stakeholders, while also creating revenue-generating possibilities and cost savings.

Channel Mobile has achieved so many milestones by developing different initiatives for SMS donations. Some of them include Appointmentmate (2002), Messagemate (2004), Hotelcom (2006) etc.

### ii. Challenges and potentials

Although mobile giving can be a convenient way to donate to charity, however, there are some setbacks, including concerns that service providers may charge fees or take a cut of the donations. Sometimes, it takes several days for a charity to receive a text donation, limiting the number of times a user can donate. Another challenge is how to incentivise people best to engage with the fund-raising effort to donate, as a larger population of the people in South Africa are low-income earners and unemployed. Also, there about 4.4 million South African who are illiterate. This becomes a major challenge as the illiterate may find it difficult access mobile devices to make donations. To overcome these challenges, organisations may have to develop a mobile giving app that can help users easily donate. The app can also provide a reward to users, which will incentivize them. Once downloaded and installed on the mobile device, the mobile rewards app displays a series of news and advertisements on the device's lock screen. In exchange, users earn in-app reward points that can be redeemed for gift cards or cash at specific retailers affiliated with the service provider. Alternatively, the user could choose to donate all or a portion of the accumulated rewards points to a specific charity.

A few reasons come to the fore to explain why South Africa has a higher adoption rate of mobile phone-based payment services. A better understanding of these reasons may result in a number of advantages for the nation. The high purchase of mobile devices presents a growing chance to expand formal philanthropy in South Africa, allowing for long-term and significant support across diverse projects as a large number of people can easily give without following the long protocols involved in the traditional finance system.

South Africa has the highest number of internet users in Africa, which is about 68.2% internet users according to the world bank report in 2019. Given that the majority of internet users browse on their phones, any fundraiser can benefit from making it easier for donors to donate via their mobile devices. There is also a large number of unbanked people in South Africa. Mobile phones are the easiest way of getting their donations towards charity and other projects for these people. Therefore, it is recommended that organizations that seek to solicit funds from the general public should partner with mobile networks to accelerate donations in the country.

## D. Pay As You Earn

Combating poverty and promoting sustainability has become a global priority. The Sustainable Development Goals (SDGs), a global framework for eradicating poverty and achieving more equitable development, have received a widespread support. The 2015 SDG framework encourages member countries to commit themselves to the 17 global goals toward measurable outcomes. In a globalising world, however, it is now clear that the involvement of corporate institutions in the development agenda is both essential and expected. Businesses have a lot to offer in combating poverty's manifestations in their often-vast areas of operation and influence (Skinner & Mersham, 2008; Reyneke, 2021). As a result, most organisations are now participating in corporate philanthropy. Corporate philanthropy ensures that organisations assume societal roles to seek goals other than profit maximisation (Werther & Chandler, 2010). This is not only the responsibility of the executive leadership but extends to all stakeholders of an organisation, including the employees.

Supporting the society in which an organisation operates has become a common norm, and managers justify corporate giving by citing the alleged benefits to shareholders. Benefits may result, for example, from the goodwill generated by corporate involvement in charitable causes, which leads to increased employee morale, consumer loyalty, and more liberal treatment by regulatory agencies or government officials (Duncan, 2004). Corporate philanthropy can improve managers' or directors' social standing and provide them with other benefits. Highly visible corporations may have incentives to cultivate a reputation for "giving back" to the community, as this may result in friendlier treatment from regulators and policymakers. This is especially likely for firms facing litigation risks, rate, or entry regulation, or those involved in industries with visible environmental impact.

One of the techniques organisations adopt to support charity and philanthropic projects is through giving programs that allow managers, directors, and employees to support their favourite charities (Reynete, 2021). This phenomenon of giving is known as Pay-As-You-Earn (PAYE), which is popularly known as "Payroll Giving" or "Pay-As-You-Go" (PAYG).

PAYE or payroll giving is a simple and effective way for employees to donate to charity. Mostly, an agreed-upon sum is deducted from an employee's salary or cellular phone account and directly transferred to charity (Hanski-Levanthal, 2012). This is seen as a strategic way to involve employees in the company's philanthropic projects. It is mostly seen as a simple and tax-effective way to make regular donations; hence one can give more for less money. It allows you to donate to the charity directly from your gross salary (before taxes are deducted), providing you with immediate tax relief on your donations. With PAYE, donations to charities are deducted from your pay before income tax is deducted with payroll giving. The charities you care about will receive a regular income, your donation will go further, and it will cost you less (Brown et al., 2006).

### **Brief history of PAYE**

PAYE, mostly called payroll giving, is a long-established method of donating to charity through an employer's payroll. It was first introduced in the United Kingdom in the early 1900s, when Barnardo's launched their post-tax charity payroll giving scheme. In post-tax schemes, an employee donates an agreed-upon amount each payday directly through the payroll. This agreed-upon amount is deducted from the net pay, that is - after all taxes have been deducted. Following this, individual charities persuaded employers to run payroll giving in post-tax schemes, and the money was forwarded directly to the charity (Romney-Alexander, 2002).

These were frequently made up of very small contributions. When Barnardo's scheme began, it was known as the 'National Farthing League,' with employees donating one farthing per week from their wages. By the time pre-tax or tax-effective schemes were introduced in the 1986 budget, Barnardo's scheme was raising £5 million per year. Charity Aid Foundation's (CAF) Give As You Earn (GAYE) scheme was the first pre-tax payroll giving scheme in the UK, launched in April 1987 (Potter & Scales, 2008; Nesbit et al., 2012).

This phenomenon refers to ongoing donations made by employees via salary deduction, usually to a charity chosen by their employer or one of a few charities from which they can choose. It is part of regular giving/donations, similar to direct debit donations or membership fees (NCVO, 2007). PAYE allows employees to donate to charities with pre-tax dollars. Donors receive immediate tax relief at their full marginal rate on an unlimited donation that is deducted (Potter & Scales,

2008). PAYE is frequently initiated and facilitated by a third-party agency that connects the recipient charities on one hand and the company's management and employees on the other (Giving, 2018).

## **PAYE in South Africa**

In South Africa, Pay-As-You-Earn (PAYE) can be attributed to different operations. The first is a withholding tax on employees' taxable income, where an employer is required by law to deduct income tax from an employee's taxable salary or wages. This is managed by the South African revenue service (SARS). It refers to the tax that an employer is required to deduct from an employee's remuneration paid or payable and must register for PAYE with SARS.

Second, the concept of PAYE also relates to charity and philanthropic giving in South Africa. This phenomenon is popularly known as Payroll Giving, which is practiced by different organisations and their employees. This concept is already a well-known concept in the United States and the United Kingdom. It is, however, a new concept in South Africa, having only recently been officially launched in 2009. This began when the South African Payroll Association (SAPA) and the South African Children's Charity Trust (SACCT), South Africa's largest operational children's charity organisation, joined forces to create a concept to raise millions for charity.

Payroll Giving is based on the collection of small donations made on a recurring basis with only one-time administration. An employee chooses the amount to be donated. The donation request is submitted to the payroll department or payroll company, and the amount is deducted from the employee's salary every month. Donors will also be able to donate in a variety of ways. On request, the amount donated can be changed, and the donation can be cancelled.

Payroll Giving is seen as a seamless and effortless system of the SACCT, SAPA, and all participating companies work together to make each stakeholder's small contribution add up to a substantial total contribution to the SACCT's charities. Payroll Giving has the potential to change the fundraising industry forever.

To ensure that a number of companies and employees are involved, some benefits have since been introduced. First, companies will benefit from viewing this campaign as a social responsibility project and a team-building activity. While participating, Payroll Giving will help a company get approved to be listed on the Johannesburg stock exchange's (JSE) Social Responsibility Investment Index (SRI Index). Second, the campaign includes an innovative new concept in which payroll giving participants can win "A Date with a celebrity" by selecting their favourite celebrity from a pre-selected list.

The collaboration between the SACCT and SAPA brings together the concept of providing relief to those in need and the means to implement this concept effectively. The government of South Africa is increasingly encouraging businesses to get involved in projects that benefit the community's social well-being. Payroll Giving provides such an opportunity with the least amount of effort and the best results. Section 18A (1) of the income tax act (Act 58 of 1962) allows for a deduction for cash or certain types of assets donated to Public Benefit Organizations (PBOs) approved under section 30(1), provided the donor has a valid receipt, and the deduction does not exceed 10% of the donor's taxable income. Businesses can also claim socio-Economic Development points on their B-BBEE scorecards.

So far, in South Africa, about ten well-known and reputable charities covering a wide range of important needs and services have joined forces to form "The Giving Organisation" in order to secure ongoing and sustainable sources of income, covering various needs and services.

These organisations include:

- Education Africa
- JAM South Africa
- HOPE Worldwide South Africa
- The Salvation Army
- Rare Diseases South Africa
- Animal and Anti-Cruelty League (AACL) care and protection
- Endangered wildlife trust
- The South African Red Cross Society (SARCS)
- Ithemba Hope Trust

## **Payroll Giving at Charity Aid Foundation South Africa**

Charity aid foundation (CAF) is an independent non-profit organization (NPC Number: 014-831) (PBO: 930002036) that helps promote and facilitates effective giving, volunteering, and social investment in Southern Africa. CAF has been represented in South Africa since 1997 and was registered as a Section 21 not-for-profit and public benefit organization in 2000. While the organization is entirely South African, it is also a member of the international Global Alliance of the Charities Aid Foundation, which is headquartered in the United Kingdom (CAF-UK). As a result, they can leverage on CAF's skilled professionals, intellectual capital, and value model. CAF UK and the other CAF International organizations are valued for their significant contributions to CAF South Africa's operations. The mission of CAF is to increase and improve giving and social investment and encourage the corporate sector to embrace development values. They also want to help social entrepreneurs. Currently, CAF has over 500 validated non-governmental organizations on their database and works with 22 corporate clients to facilitate effective CSI engagement.

### **Challenges and potentials**

Challenges associated with payroll giving are built on general principles that must always be remembered. The first and most fundamental principle is that a donor cannot be coerced to give. The second is that, while an employer may be forced to set up a Payroll Giving scheme, the employer cannot compel employees to participate. Hence, in a situation where most employees decide not to join, its ultimate aim cannot be achieved.

More so, South Africa's unemployment rate stands at 34.9%, which has been the highest since the beginning of the quarterly labour force survey in 2008. It suggests that the unemployed may not be able to contribute to PAYE or payroll giving as this approach of charitable giving focus on salary workers. This becomes a major limitation. Payroll Giving is a campaign that mostly focuses on the total number of participants rather than the explicit rand value per donor. Hence, a large number of employees contributing a small amount of money may not be sufficient to support charity and societal projects.

In terms of potential, PAYE/Payroll Giving is an important and unique method of giving. It is a unique donor engagement tool that works in tandem with existing fundraising techniques rather than against them. The workplace has great potential to be a hub for civic involvement, and it can use peer groups and leadership to positively affect social behavior.

The South African charity sector may undergo a paradigm shift thanks to PAYE/Payroll Giving, which also has the potential to end begging by CSOs. Together, businesses will be able to make a difference in people's lives across the nation, helping to treat sick children, reduce poverty, help those in need, and realize aspirations. Additionally, corporations are being urged by the government to participate in initiatives that advance social welfare in the community. With the least amount of work and finest outcomes, payroll giving can offer such a chance. Payroll Giving enables donors to receive a complete tax benefit at the source. Any nonprofit organization has the potential to benefit from payroll donations.

Additionally, payroll giving is a great method for companies to show their dedication to the causes that matter to their employees and their corporate social responsibility. There are no up-front charges, and it is quick and easy to set up and administer. Through matched giving, in which they match a portion of an employee's donation, businesses can also increase the value of the donations made by their employees. This not only encourages workers to give more, but also promotes the company's ethical profile..

# CAF

---

**Southern  
Africa**



**CONTACT US**

CAF Southern Africa  
Studio 16 Arts on Main  
Maboneng Precinct  
264 Fox Street  
City & Suburban  
Johannesburg  
2094

Email: [info@cafsonthernafrica.org](mailto:info@cafsonthernafrica.org)