

The Indiana University Lilly Family School of Philanthropy has been conducting the *Global Philanthropy Tracker* study every two years to measure the flow of charitable giving across countries. The Beautiful Foundation became a partner in the project in 2019 to provide information on Korea's cross-border giving.

This report was written jointly by The Center on Philanthropy at The Beautiful Foundation and Dr. Sung-Ju Kim, assistant professor of social work at North Carolina State University.

For the full report of the *2020 Global Philanthropy Tracker*, please go to <https://globalindices.iupui.edu/tracker/index.html>

\* The data for this report were provided by Korea NGO Council for Overseas Development Cooperation (KCOC) and GuideStar Korea.

## **Philanthropic giving behaviors and attitudes in South Korea**

### **1. The philanthropic giving environment in South Korea**

Strong Korean traditional heritage of philanthropic culture had been diminished through its modern histories such as colonization (1910 -1945), the Korean War (1950 – 1953), dictatorships, industrialization, and urbanization (1953- 1990s) (Kim, & Jung, 2020; H. Lee, 2018). However, Korean society has moved toward the restoration of its philanthropic culture while increasing community voices and the growth of civil society since the early 1990s (H. Lee, 2018). Specifically, after the 1987 Democratic Movement in South Korea (hereafter Korea), substantial political liberalization in Korea began, and Korean civil society became more independent from the government's controls and regulations (Civic Movement Information Center, 2015; J. Choi, 2012). A long Korean modern history in a short, after the period of Japanese colonialism (1910~1945), there was no room for citizen movements in Korea because of successive authoritarian and military regimes. However, citizen movements were able to enforce significant roles in democratization in Korea since the 1987 democratic transition with the civilian government of Kim Young-Sam (1993–1998) and the Kim Dae-Jung administration (1998– 2003). The Law on Promotion of Nonprofit Civil Organizations was enacted in 2000 by the Kim Dae-Jung government to provide a legal and institutional framework for government funding of NGO activities (Kim, 2009). In 2006, the Act of Collection and Use of Donations was enacted (originated as the Act on the Prohibition of Donation Collections in 1951) to promote an advanced donation culture, to establish a donation collection system, and to ensure the proper use of donations (Kim & Jung, 2019). Philanthropic giving and donor loyalty to charitable organizations have been matured in Korea while stimulating by the various legal frameworks. Korean society had perceived philanthropy as good for society and an essential part of civility because of the growing civil society (Kang et al., 2015).

### **2. Information on philanthropic giving in South Korea, including the amounts, sources, and uses of domestic philanthropic contributions**

As philanthropic culture has grown, scholarly efforts to estimate the Korean philanthropic behavior and attitude have been launched. The Beautiful Foundation conducted to investigate

philanthropic giving in Korea as the first project to estimate philanthropy behavior and attitude in 2001 (Roh, 2013). Following the project, several databases have been conducted to provide philanthropic giving estimates in Korea. Kim and Jung (2019) identified the five philanthropy behavior and attribute databases in Korea<sup>1</sup>. Some of them are ongoing projects, and some of them are not. Due to validity and accuracy matters, we report the Korean philanthropy trends based on the two studies: *Giving Korea* by the Beautiful Foundation and *Social Survey* by National Statistical Bureau (NSB). In addition, we used the National Tax Statistical (NTS) data to estimate total giving amounts.

*Giving Korea*, which is the first project to estimate philanthropic giving in Korea, initially began in 2001. The philanthropy section in *Giving Korea* studies has been conducted every other year since 2002. In the latest volume of *Giving Korea* that was published in 2018, a total of 2,011 individuals who were 19 years old or older were randomly selected and participated in the survey.

*Social Survey* is the longest-running longitudinal household survey in Korea. The study began in 1977 with nationally represented households in Korea. Information on personal views and social concerns of the Korean people has been collected annually based on ten areas of social factors, including family, labor, health, environment, education, income & consumption, welfare, culture & leisure, safety, and social participation. The survey is conducted with five areas every year, rotating the fields of selections on a two-year basis. Philanthropy behaviors was included in the social participation section from the 2011 survey. The latest survey of the social participation section was conducted in 2019. In this wave, 25,704 households participated in the survey.

In addition, the estimate of total philanthropic giving in this report informed using the Annual National Tax Statistics (NTS) because nationally representative total amount of charitable giving, unfortunately, is not reported from both *Social Survey* and the *Giving Korea* because of sampling and data collection issues. NTS dataset comprehend the itemized donations for charitable giving that claimed on individuals and corporations' income tax returns.

Unfortunately, non-itemized charitable giving by individuals, corporations, and other entities are not included in NTS data. Foundation giving and bequest giving are also not included in NTS data, either. However, the estimate of total giving in NTS dataset is closed to the accurate total amount of charitable giving because practically, non-itemized donations by individuals or corporations to the accredited tax-deductible nonprofit organizations are rarely occurred in Korea. Charitable giving by foundations and bequests that made outside of itemized donations may also be limited in Korea because of the tax systems and philanthropic culture in Korea (Center for Asian Philanthropy and Society, 2018).

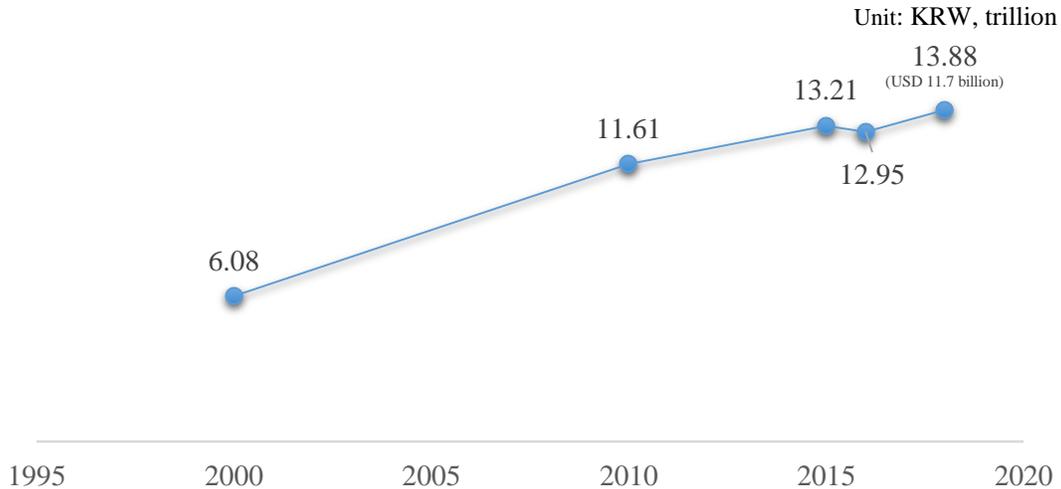
According to NTS data, total amount of giving for 2018 was KRW 13.88 trillion (USD 11.7 billion). This was an increase of 5.4% (after adjusted for inflation in 2018) compared with the revised estimate of a total amount of giving in 2016 (KRW 12.95 trillion). The estimates of total amount giving have increased from KRW 6.08 trillion in 2000 to KRW 11.61 trillion in 2010, and KRW 13.21 trillion in 2015 (all estimates were adjusted for inflation in 2018). Overall,

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<sup>1</sup> The five databases include 1) *Giving Korea* by the Beautiful Foundation, started in 2001 and ongoing project; 2) *Korean Welfare Panel Study* by Korean Institute for Health and Social Affairs, started in 2006 and finished 2018; 3) *Seoul Welfare Panel Study*, Seoul Welfare Foundation, started in 2008 and finished in 2010; 4) *Social Survey* by National Statistical Bureau, started in 2011, and ongoing project; and 5) *Seoul Welfare Status Study* by Seoul Institute, started in 2013 and finished in 2018.

philanthropic giving in Korea has gradually increased during the last twenty years, according to the National Statistical Bureau (2019).

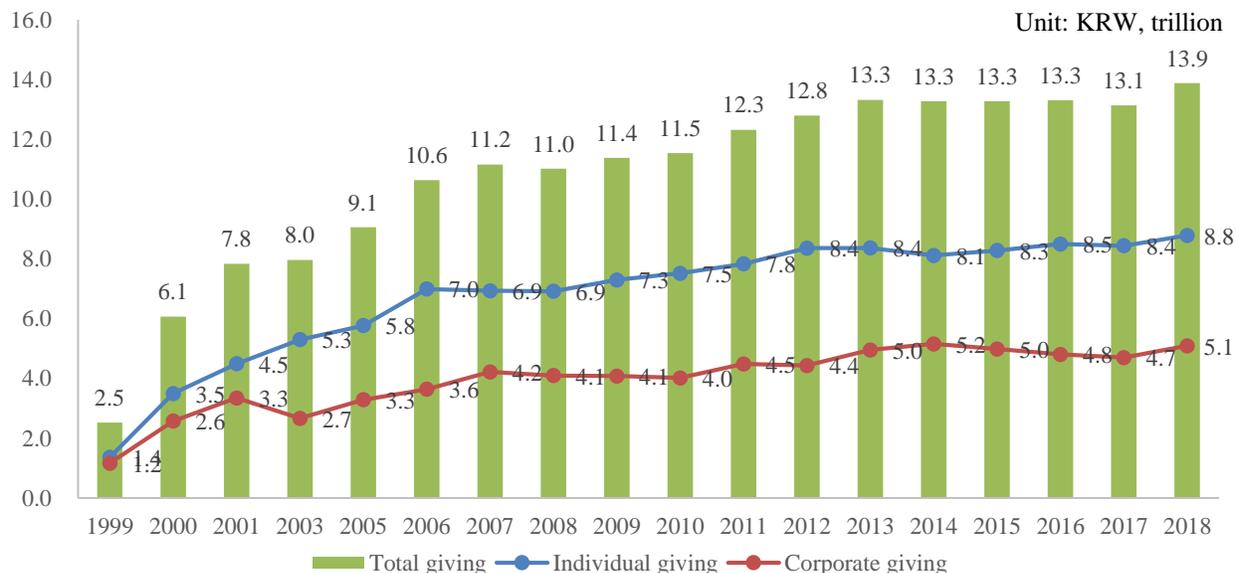
[Figure 1] A total amount of philanthropic giving in Korea by year



Two sources of the total amount of giving were applied to estimate the total amount of giving in NTS data: 1) Individual giving includes individual taxpayers who filed for charitable deductions on tax returns in 2018, and 2) corporation giving includes corporations who filed for charitable deductions on tax returns in 2018. As shown in Figure 2, individuals in Korea contributed an estimated KRW 8.79 trillion (USD 7.30 billion) or 63.3% of total giving in 2018. Corporations donated an estimated KRW 5.09 trillion (USD 4.25 billion) or 36.7% of total giving in 2018. During the last 20 years, individuals in Korea donated an average of 62.2% of total amount giving and the corporations accounted for an average of 35.0% of total amount giving. The percentage of the corporation giving used to be higher than individual giving before 1999<sup>2</sup>. However, the percentage of the individual giving has been higher than corporate giving after 1999 because of new charitable tax law, the growth of civil society, and the growth of philanthropic culture (Kang et al., 2015; Roh et al., 2019).

[Figure 2] Changes of individual giving vs. corporate giving in South Korea

<sup>2</sup> No electrical information are available for before 1999 in the NTS database.



\* Note: all of the estimates were adjusted for inflation based on 2018 KRW value

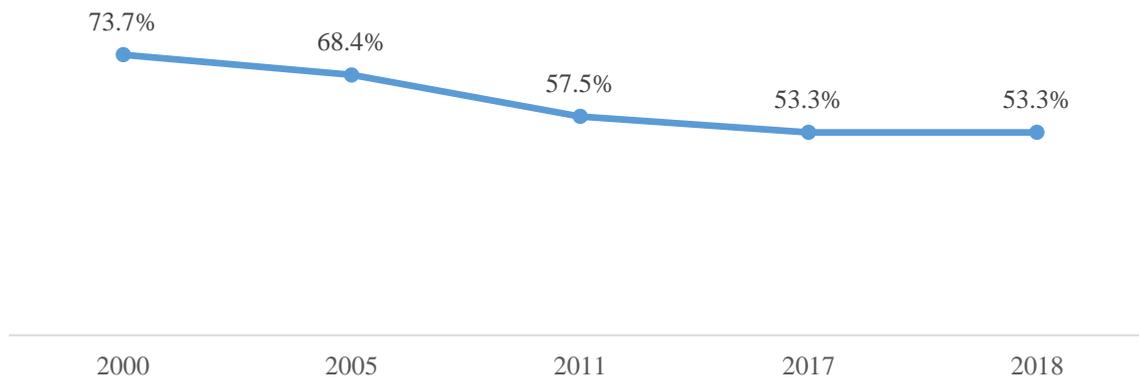
Additional Korean philanthropic trends are analyzed in *Giving Korea* and *Social Survey*<sup>3</sup>. As shown in Figure 3, the estimated philanthropic giving rate in *Giving Korea* was 53.3% in 2018, followed by 53.3% in 2017, 57.5% in 2011, 68.4% in 2005, and 73.7% in 2000. The average giving rate was 57.0% during the last 20 years. The charity participation rate has generally decreased in Korea. The decline in giving rate was also observed in *Social Survey* studies<sup>4</sup>. Beautiful Foundation (2018) presumed the decline in giving rate due to intermittent fundraising scandals and lack of accountability for the nonprofits in Korea<sup>5</sup>.

[Figure 3] Percentage of donor rate by year in *Giving Korea*

<sup>3</sup> In this report, the findings from *Giving Korea* are only reported. The findings from *Social Survey* are addressed in the following footnote.

<sup>4</sup> *Social Survey* reported consistently less estimated percentage of giving rate. In 2018, the estimated giving rate was 25.6%, followed by 36.4% in 2011, 31.6% in 2006. The two datasets show significantly different percentage of the giving rate. The different estimates between the two databases can be found by the nature of the survey. *Giving Korea* contains only philanthropic behavior and attitude in their survey, however *Social Survey* contains multiple sections in the survey not only for philanthropic behaviors but also for five to ten other sections related to health, social- economic circumstances. So the respondents in *Giving Korea* might be able to dedicate themselves in the survey and can recall their philanthropic contributions more accurately. It could be cause of higher rate of giving than the rates in *Social Survey*. Beautiful Foundation (2018) highlighted the possibility of over estimates in charitable giving in *Giving Korea*, in contrast, NSB (2019) warned the possibility of less estimates in charitable giving behavior in *Social Survey*.

<sup>5</sup> According to the 2018 *Giving Korea*, the top reason why people do not donate for charity was lack of transparency and accountability of the nonprofits.



According to the 2018 *Giving Korea*, females were more likely to participate in giving than males (54.0% of females vs. 52.6% of males). The older persons were more likely to participate in charitable giving (54.9% of the aged between 60 or older vs. 53.5% of the aged between 40 and 59 years old vs. 41.0% of the aged less than 40 years old). Nearly 82.3% of respondents with a graduate degree study made a contribution to charity, followed by a college degree (50.4%), and high school or less (36.3%). Individuals with higher income were more likely to participate in charitable giving (66.8% of the respondents with an annual income greater than KRW 60.0 million (USD 50,000) vs. 52.4% of the respondents with between KRW 24.0 million to 60.0 million vs. 41.3% of the individuals with less than KRW 24.0 million).

In addition, married couples were more likely to participate in giving (55.1%), followed by divorced, widow, or separated (47.1%), and single (50.6%). Nearly 74.0% of the donors contributed to human service organizations or social service delivering organizations, followed by international aid organizations (31.1%), civil and human rights organizations (24.2%), community service organization (11.2%), education (9.0%), health (7.6%), art and culture (4.9%), and others (8.9%). Finally, giving vehicles was estimated in the 2018 *Giving Korea*. 28.5% of giving was donated through charitable fundraising organizations such as the Community Chest of Korea, followed by religious organizations (26.5%), direct donations to recipients (17%), workplace (13.6%), and media organizations (4.6%), others (9.2%).

### 3. New forms of philanthropy

Prior studies addressed a couple of new forms of philanthropic giving in Korea. First, donation-based crowdfunding has become one of the favor-giving vehicles for Koreans. 43% of donors have used crowdfunding for their donations, and 36% of non-donors considered to use crowdfunding for future donations in the Doing good Index 2018 study (Center on Asian Philanthropy and Society, 2018). However, donation through crowdfunding platforms is still not becoming a major way to participate in charity, yet in Korea (Beautiful Foundation, 2018).

Second, bequest giving has been stimulated by the government. The Korean government offers incentives of bequest giving due to lack of bequest giving culture (Center on Asian Philanthropy

and Society, 2018)<sup>6</sup>. Although bequest giving is not popular in Korea, 59% of the respondents showed interest in bequest giving, according to the 2018 *Giving Korea*.

#### **4. Future trends in the philanthropic landscape**

During the last decades in Korea, philanthropic behaviors and attitudes have dialectically changed. First, the estimate of total giving has steadily increased, however, the percentage who give has progressively decreased. Second, the corporation has played as one of the major donors in Korea. During the last decades, corporate social responsibilities (CSR) have been emphasized not only as a business activity, but also as a citizen's responsibility in the Korean society. Therefore, corporations and individuals are the two major entities for philanthropic donations in Korea.

A natural disaster such as the 2019 Gangneung wildfires in Korea, 2010 Haiti Earthquake, and 2004 Eastern Asian Tsunami, became one of the significant triggers to increase the comprehension of philanthropic giving in Korea. According to Roh et al.(2019), one of the major reasons for being a charitable donor was natural disaster or national disaster.

In addition, interests in social enterprise and social economy have significantly grown from donors in Korea (Center on Asian Philanthropy and Society, 2018). Corporations in Korea have led their weight behind social entrepreneurship through supporting social enterprise education in higher education in Korea and developing funds for the social economy and social entrepreneurship (Kim & Jung, 2020).

Lastly, the next waves of philanthropic giving in Korea are giving with digital technology and social enterprise. The most recent issues affecting donations are the rapid development of digital technologies (e.g., Go Fund Me, Kakao Pay, and Zero Pay), and the effect of various types of social networks (e.g., Facebook, YouTube, Instagram, etc.) on not only the donor participation method but also the motivation of donation in Korea (Roh et al., 2019).

#### **5. Key recommendations to improve the environment for philanthropy**

Korea was one of the major recipient counties from the Official Development Assistant (ODA) after the Second World War and the Korean War. However, Korea is becoming one of the most active nations in global philanthropy (Kang et al., 2015) and has strongly restored their philanthropic culture (H. Lee, 2018). For continuously expanding and intensifying the philanthropy environment in Korea, the following factors should be improved. First, a unified government system to estimate philanthropic giving is necessary. During the last decades, the government-oriented interventions in philanthropy have been aggressively engaged in Korea in terms of enacting legal frames related to charitable giving, associating direct/indirect incentives for donations, and supporting the donations with relevant policies. Based on the government engagement, philanthropic culture in Korea has matured. However, the absence of a unified government system distracts to depict overall philanthropic behaviors and attitudes in Korea (Kim & Jung, 2020). More than 35 government entities- both local and central- oversee various types of nonprofit organizations, making it a complex landscape to stimulate philanthropic

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<sup>6</sup> Only 0.5% of total giving was bequest giving in Korea (Center on Asian Philanthropy and Society, 2018).

culture in Korea (Center on Asian Philanthropy and Society, 2018). In addition, the relevant laws and policies for charitable giving were relatively difficult to understand.

Second, the lack of examples of philanthropists or models of giving, such as Andrew Carnegie, Bill Gates, or Warren Buffett in the United States, is one of the causes of discouraging active participation in philanthropic giving in Korea. Kang et al. (2015) insisted that the lack of exemplary models of giving by the wealthy in Korea limits active participation of philanthropic giving by the public.

Lastly, individual giving is continuously enforced to stimulate philanthropic culture in Korea. For-profit organizations had played as a main player in philanthropic giving during the last decades. Corporations made up to a half of the total amount giving in Korea. In general, nonprofits in Korea are more likely to develop corporate donors rather than individual donors when they develop fundraising strategies. However, nonprofits should recognize that the growth and development of charity by individuals are the most powerful phenomenon in Korea. Kang et al. (2015) highlighted that individual tax deductions for charitable giving take a greater share of total tax deductions than corporate tax deduction in recent years.

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