Returns for Fundraising Expenditures in Muslim, Christian, Jewish and Other Religious Nonprofits from IRS Form 990: Underinvestment and the Limitations of Outside Fundraising Consulting

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Abstract

This research analyzes whether religious organizations underinvest in fundraising compared to secular charities (as evidenced by excessive returns) and if hiring external fundraising consultants mitigates this gap. Using over one million IRS Form 990 returns from more than a quarter million public charities, ordinary-least-squares models predict the marginal effects of fundraising expenditures and professional fundraising fees on next-year's contributions. Each additional fundraising dollar generates $6–$7 in additional contributions for secular or Jewish charities, $9 for Christian, $10 for religion-focused (NTEE-X), and $14 for Muslim organizations. Each additional dollar spent on professional fundraising fees yields $27 for secular charities, $76 for Christian, and $146 for Jewish organizations, but minimal returns for Muslim or NTEE-X nonprofits, indicating lower effectiveness of external consultants in those contexts. Results reveal significant but uneven fundraising underinvestment among faith-based organizations and show that contracting with outside fundraisers is not a one-size-fits-all remedy.

Introduction

Religious nonprofits collectively receive roughly one-third of US charitable dollars, making them the largest single cause area by donation share (Giving USA Foundation, 2018). Yet scholars know little about how effectively these organizations fund that generosity. This study is the first large-scale, empirical examination of marginal fundraising returns across multiple faith traditions in the United States. Leveraging 1,020,729 IRS Form 990 returns filed by 266,243 charities from 2010 to 2016, we provide results using a large dataset on religious fundraising behavior. Unlike prior research that relies on average cost ratios or single-sector case studies, we estimate marginal "dollar-for-dollar" returns and compare four distinct religious identities (Islamic, Christian, Jewish, and NTEE-coded religion nonprofits) against a secular

benchmark. We further isolate the performance of external fundraising consultants, an expenditure category never before analyzed in a faith-based context, revealing sharp differences in effectiveness across traditions. Together, these innovations fill a critical gap in both nonprofit fundraising and religion scholarship by showing where, and for whom, additional fundraising investment most effectively unlocks new mission resources.

These results provide significant potential for real-world impact as even modest fundraising gains could unlock billions of additional mission dollars across the sector. The gap is especially urgent for Muslim nonprofits, a rapidly expanding group that operates under post-9/11 regulatory scrutiny and communal expectations of ultra-low overhead, conditions that can suppress strategic investment in fundraising. By providing the first large-scale, comparative test of marginal fundraising returns across Muslim, Christian, Jewish, and other religious organizations, our study supplies the empirical foundation needed to move this conversation from intuition to evidence.

Some religious organizations are likely to avoid fundraising expenditures due to greater expectations of obligatory giving, greater merit attributed to gifts made without fundraising persuasion, or greater aversion to overhead expenditures such as fundraising. Whether such attitudes translate into systematic underinvestment in fundraising, and thus forgone revenue, remains untested. Faith traditions, however, are not monolithic. Islamic zakāt, Christian tithing, and Jewish zedakah all mandate giving but differ in theology, community structure, and exposure to professional fundraising norms. These differences may shape both how much religious nonprofits spend on fundraising and how they spend it. For instance, Muslim charities often rely on tightly knit donor networks and volunteer appeals, potentially limiting the use, or effectiveness, of paid consultants, whereas large Christian or Jewish institutions more commonly hire outside firms. Unpacking such variation is critical because every additional net fundraising dollar represents new mission resources.

Against this backdrop, we ask two questions: (Underinvestment hypothesis) Do religious nonprofits earn higher marginal returns on fundraising expenditures than comparable secular nonprofits, indicating systematic underinvestment? (Consultant-effect hypothesis) Does contracting with outside professional fundraisers reduce or accentuate that gap across Muslim, Christian, and Jewish organizations? To answer these questions, we analyze 1,020,729 IRS Form 990 returns covering 2010 through 2016 from 266,243 charities. IRS Form 990 returns are annual financial reports that US nonprofits file with the Internal Revenue Service (IRS). Ordinary-least-squares models predict next-year contributions from current-year (a) total fundraising outlays and (b) professional fundraising fee outlays, controlling for assets, program service revenue, and age. Religious identity is captured four ways: Islamic, Christian, and Jewish keywords in organizational names or missions, plus the NTEE "X" religion code. This design allows us to isolate where fundraising investments and consultant usage pay off (and where they do not) within America's diverse faith landscape. The next section reviews prior work on

fundraising efficiency, managerial motivations, and religious giving to ground these hypotheses in existing theory.

Literature Review

"Underinvestment" in Fundraising

There is no universal standard for the normatively "right" level of fundraising expenditures. However, as a matter of technical efficiency, the optimal level of fundraising is that which maximizes net revenue for the organization (Meer, 2017; Phairoon & Pholphirul, 2019; Rose-Ackerman, 1982; Steinberg, 1986; Yi, 2010). Although fundraising efficiency is often measured by average fundraising cost (total fundraising expenditures divided by total contributions) (Meer, 2017; Hager, Pollak, & Rooney, 2001; Trussel & Parsons, 2007), the optimal level is achieved not at any specific *average* fundraising cost ratio, but rather where net *marginal* returns from additional fundraising expenditures reach near zero (Meer, 2017; Steinberg, 1986; Steinberg & Morris, 2010). Indeed, average fundraising costs at the point of net revenue maximization may still be quite low, especially where donors prefer low average fundraising expenditures (Rose-Ackerman, 1982). Regardless of donor preferences for average fundraising expense ratios, revenue maximization still occurs where net marginal returns from additional fundraising expenditures reach near zero. Thus, the following study uses a measurement of marginal returns for an additional dollar of fundraising expenditures.

To the extent that net marginal returns for fundraising expenditures are positive (i.e., an additional dollar of fundraising would result in more than a one dollar of contributions), this represents technical "underinvestment," as greater net receipts would be possible with additional fundraising investments. Following this idea of technical efficiency, in this paper "underinvestment" in fundraising does not refer to a normative statement as to a morally appropriate level of fundraising expenditures nor to any average level of fundraising expenditures, but instead refers to a level of fundraising expenditures that is lower than that which would maximize net contributions receipts.

Secular Management Preferences for "Underinvestment" in Fundraising

Separate from donor preferences for overall fundraising expenditures (which would be incorporated in the technically optimal level of fundraising, as discussed above), nonprofit managers may have a distaste for fundraising expenditures. For example, in an investigation of the "crowding out" effect where government grants reduce subsequent private contributions, Andreoni and Payne (2011) found that "crowding out is due primarily to reduced fundraising" (p. 344). In many cases responses to receiving a government grant lowered fundraising so much that contributions dropped by more than the size of the grant itself, i.e., the crowding out was more than 100% (Andreoni & Payne, 2011). This matches the view of some that fundraising is a distasteful, but unfortunately necessary, task (Meisenbach et al., 2019). As one practitioner guides puts it, "Every not-for-profit is fundraising so that it can stop

fundraising," i.e., the goal is to get enough funds to be able to stop asking for funds (Burk, 2013, p. 11).

Religious Preferences and Fundraising Expenditures

Beyond these common secular aversions to fundraising expenditures, religious organizations may exhibit an even higher aversion. These may come from greater expectations of obligatory giving (eliminating the need for fundraising persuasion), greater merit attributed to gifts made without fundraising persuasion, greater aversion to overhead expenditures such as fundraising, or the impact of powerful, but less-scalable, annual sacred events. As James (1987) points out, religious nonprofits often have significant ideological motivations compared to nonreligious nonprofits. Religions commonly have well-defined, centuries-old or millennia-old teachings regarding philanthropy. As such, the attitudes of managers of religious nonprofits regarding philanthropy and fundraising may be less flexible or pragmatic than for those of other civil society nonprofit organizations. This would potentially reduce religious nonprofit managers' ability to pursue "optimal" fundraising strategies that would maximize net contributions.

This may be due to beliefs about religious organizations' appropriate behavior. For example, Phairoon and Pholphirul (2019) argue that the reason government grants crowd out fundraising at Buddhist temples in Thailand "is because government grants reduce incentives for fundraising, as Buddhism teaches against being greedy, with emphasis put on moderation" (p. 4). Additionally, such feelings may be heightened due to sensitivity about negative views of religious organizations resulting from perceptions of intrusive, excessive, or abusive fundraising (Redmond, 2016).

Additionally, limitations on fundraising at religious organizations may be due to managers' beliefs about *the donors'* appropriate behavior. If giving is viewed as the donor's mandatory obligation—rather than something to be triggered by attractive offers, compelling messaging, or persuasive selling—then fundraising expenditures may be disfavored. Such views of religious giving as a necessary obligation expressing faithful obedience are common in religious teachings (Poplaski, 2017). For example, Islam, Christianity, and Judaism are the three most populous religions in the US (Pew Research Center, 2020), and all three promote obligatory charitable giving (*zakat* in Islam, tithes/offerings in Christianity, *tzedakah* in Judaism) (Iqbal, 2015; Rizal & Amin, 2017). Many Christian denominations urge their followers to donate a fixed portion of their income as a tithe (James & Jones 2011), a concept that originated in Judaism, which also encourages charitable giving (Ottoni-Wilhelm, 2010).

However, this reliance on unsolicited obligatory giving may be somewhat less in many modern Christian and Jewish organizations. For example, evangelical megachurches and Christian charities often use quite modern fundraising techniques (direct mail, online giving campaigns, donor appreciation events), although smaller ministries still operate on a shoestring, citing faith principles for minimal fundraising. Jewish organizations in the US have a strong tradition of organized fundraising (the Jewish Federation system

has been raising funds for communal needs for over a century). Thus, among the three, Jewish nonprofits are likely to be the most accustomed to professional fundraising, but even there, it's grounded in the language of obligation and community duty. The sense of obligation is high, but so is the willingness to ask directly. In fact, some Jewish fundraising professionals have effectively said that asking someone to give is giving them a gift—the chance to do a *mitzvah* (Ringel, 2014). This outlook may make Jewish charities more proactive, despite the theological framing of giving as required.

Islamic Preferences and Fundraising Expenditures

Some factors may uniquely impact fundraising expenditures among Muslim charities. These may include management and donor expectations of low overhead and heightened government scrutiny of overhead expenditures. There is a prevalent mindset in many Muslim communities that donation money should go almost entirely to the cause, not to administrative or fundraising costs. This is partly rooted in religious interpretation—for example, some Islamic scholars hold that zakat funds should be administered with no overhead cost, while others (such as in the Hanafi or Shafi'i school) permit at most 12.5% of zakat donations to cover administration (Siddiqui et al., 2024). This duty-driven mindset can make aggressive fundraising pushes seem unnecessary or even inappropriate. If donors are presumed to give out of piety, some leaders feel it isn't fitting to "pressure" them with marketing tactics. The underlying belief is that because giving is mandated by faith, the charity's role is mainly to facilitate and ethically steward the funds—not to "sell" the cause to donors with slick marketing. This can lead to underinvestment in fundraising departments or innovative appeals, since the faithful are expected to give regardless.

Such guidelines have made donors and managers highly sensitive to overhead. Many Muslim-led charities advertise very low overhead percentages or even a "100% donation policy" (where a separate fund or endowment covers operating costs) to reassure donors (UNRWA, 2023). The result is that Islamic nonprofits may deliberately limit spending on fundraising to maintain an overhead ratio below about 10–15% in line with community expectations. While this satisfies donors, it can also mean organizations forego hiring needed development staff or launching expansive campaigns, potentially missing out on growth. In short, religious norms around charity administration, aimed at integrity, can inadvertently lead to chronic underinvestment in fundraising. A Stanford Social Innovation Review study found that "organizations that build robust infrastructure—including fundraising processes and other essential overhead—are more likely to succeed than those that do not (Gregory & Howard, 2009).

Separate from donor or manager preferences, Muslim organizations may face more intense government and media scrutiny (Wasif, 2021). In 2005 the US Treasury issued guidelines effectively recommending that Muslim donors vet charities' finances closely, even using overhead ratios as a red flag for wrongdoing (US Dept. of the Treasury, 2006; Siddiqui et al., 2022). A

climate of Islamophobia and mistrust may pressure Islamic nonprofits to keep overhead extremely low to signal purity of purpose (Noor et al., 2022; Wasif, 2021). Islamic charities became hyper-vigilant about expenses, lest a high fundraising cost be misinterpreted as funding illegitimate activities (Jamal, 2011; Siddiqui, 2013). This historical context helps explain why, even today, Muslim-led organizations may err on the side of spending too little on fundraising and infrastructure. The focus has been on transparency and frugality to build trust. As one report noted, "Government scrutiny of Muslim charities and donors along with the scrutiny of overhead created a broad misconception about overhead" (Siddiqui et al., 2022, p. 10). It also reinforced an overhead aversion that makes it hard for these nonprofits to justify investing in fundraising initiatives or new donor acquisition.

Finally, it is important to keep in mind that relative to American Christian and Jewish nonprofits, US Islamic nonprofits tend to be relatively young organizations (often founded post-2000) and have smaller operating budgets (Osseilan & James, 2023). These groups often lack the fundraising infrastructure and know-how that more established nonprofits have. In a recent program convening 22 Muslim-led nonprofits, participants reported limited resources, staffing gaps, and hesitancy in reaching out to new donors (Siddiqui, Samad, & Wasif, 2022). Some organizations did not engage with foundations at all or had no dedicated development team. This suggests underinvestment not just by choice but by circumstance—they simply haven't had access to the capacity-building funding or training that would allow them to scale up fundraising. Moreover, because Muslim nonprofits historically relied on their immediate community for support, some were "hesitant to reach out to new donors because of the organizations' stigmatized and racialized identity." This hesitation can translate into a conservative approach to fundraising (sticking with a small circle of loyal donors, inexpensive methods, and not spending on broader outreach). Consequently, fundraising remains underdeveloped as a profession in parts of the Muslim nonprofit sector, even as the need and opportunity to grow donor bases is present.

Summary

These various factors suggest that faith-based nonprofits, particularly Muslim nonprofits, may be underinvesting in fundraising. Thus, they may be leaving potential donations untapped and limiting their own growth. Secular nonprofits, by contrast, embrace marketing and donor engagement as essential. They craft compelling offers, use data-driven fundraising appeals, and don't hesitate to spend on fundraising, knowing it yields returns in more donations. Religious charities can sometimes lag behind these techniques, initially relying on the loyalty of their faith community. The following study explores the presence and extent of this underinvestment—and the potential untapped contributions growth opportunities—among religion-focused nonprofit organizations and separately among Muslim, Christian, and Jewish nonprofit organizations.

Data and Methods

Sample

This study analyzes data from the Open990 dataset, which includes IRS Form 990 data only from January 1, 2010 to August 1, 2016 (open990.com/data) with no data available from this source subsequent to this ending date. The analysis excludes data from private foundations and from the smallest nonprofits by excluding special forms 990-PF, 990-EZ, and 990-N, which are filed, respectively, by private foundations, organizations with total assets less than $500K and gross receipts less than $200K, and organizations with gross receipts less than $50K. After these exclusions, the analysis includes data from 1,020,729 IRS Form 990 returns filed by 266,243 unique organizations. This included 58,878 returns from organizations with Christian names or mission statements, 9,399 with Jewish names or mission statements, 1,323 with Muslim names or mission statements, and 21,333 classified by NTEE code "X."

IRS Form 990 enables the IRS and the general public to evaluate the financial circumstances of tax-exempt nonprofit organizations, and such organizations are generally required to file annually. This includes religiously affiliated tax-exempt organizations, although filing is optional for churches, synagogues, and mosques (Montague, 2013). The analysis uses previous year variables to predict subsequent year contributions, thus requiring two consecutive years of returns. Previous years' revenue, assets, and organizational age were available for 712,495 returns (revenue), 718,146 returns (assets), and 674,515 returns (age), respectively. Sample means (medians) were revenue, $8,064,007 ($90,000); assets, $18,838,440 ($840,000); age, 30 (24) years; total fundraising expenditures, $92,664 ($0); and professional fundraising fees, $5,147 ($0). Only 271,256 returns reported positive fundraising expenditures, with a sample mean of $245,298 and median $34,910 among these, and 27,749 reported positive professional fundraising fees, with a mean of $133,187 and median of $7,530 among these. The high number of $0 reports for total fundraising and professional fundraising fees points to the need for analyzing this variable separately for the full sample and for those returns reporting positive amounts, as was done in this analysis. Analyses excluding returns reporting $0 fundraising expenditures are common in previous research on fundraising efficacy using IRS Form 990 data (Brooks, 2004).

Types of Fundraising Expenditures—Professional Fundraising Services

The following analysis first explores fundraising expenditures in general. These are reported on IRS Form 990, Part I, line 16(b), as "total fundraising expenditures." It also separately explores expenditures on external fundraising consulting. This is reported on IRS Form 990, Part IX, line 11(e), as "professional fundraising services," which is "essentially outside consulting" (Marudas & Jacobs, 2010, p. 4). The Form 990 instructions define this as "amounts paid for professional fundraising services, including solicitation campaigns and advice or other consulting services supporting in-house fundraising campaigns" (Internal Revenue Service, 2020, p. 46).

These outside consulting services are examined separately as their effectiveness may be different for religious organizations as compared with other types of organizations. Previous research has found that returns for such external fundraising services can vary based on the nonprofit organization cause type. For example, Marudas and Jacobs (2010) found a positive association between contributions and expenditures on professional fundraising services for their full, education, and health samples, but not for nonprofits in their arts or human services sample. This contrasts somewhat with the wide range of research finding positive associations between contributions and fundraising expenditures in general (Callen, 1994; Frumkin & Kim, 2001; Harris et al., 2015; James, 2018; Okten & Weisbrod, 2000; Posnett & Sandler, 1989; Searing, 2018; Tinkelman, 1998; Weisbrod & Dominguez, 1986).

Among the explanations for the varying effects from professional fundraising services on donations for different cause types are the potentially reduced effectiveness of the outside consultants due to the specialized nature of the donor community within particular cause types or the reduced willingness of managers for particular cause types to follow the otherwise effective advice of outside consultants (Marudas & Jacobs, 2010). Both of these issues may be more pronounced for religious organizations.

Donors to religious charities constitute a narrowly defined community. As Webber (2004) points out, "Religious charities have a defined group of constituents—for example a Jewish charity can predominantly only raise funds from Jewish people or a Sikh charity from Sikhs" (p. 132). As discussed above, the nature of this specialized community's philanthropic relationships is likely to be influenced or defined by their specific religious teachings. As such, an outside fundraising consultant may be less knowledgeable and less effective than he or she would be in more typical donor relationships. Thus, it is possible that expenditures for outside consulting may be particularly ineffective for religious nonprofits. This ineffectiveness would contravene the otherwise greater marginal returns for fundraising expenditures for religious organizations hypothesized above. As such, this specific type of fundraising expenditure will be examined separately in the following analysis.

Types of Religious Nonprofit Organizations

Any nonprofit organization with a name or mission statement, including terms associated with one of three religions (Islam, Christianity, or Judaism), is assumed to be affiliated with that religion. If the name or mission statement of a nonprofit organization includes "Muslim," "Islam," or any variation of these (e.g., "Islamic"), then the organization is considered to be a Muslim organization. If the name or mission statement of a nonprofit organization includes "Christian," "Christ," "Catholic," "Evangelical," "Mainline," "Protestant," "Episcopal," "Methodist," "Lutheran," "Presbyterian," "Mormon," "Latter-Day," "Latter-Day Saints," "Jehovah," "Church," "Jesus," or any variation of these, then the organization is considered to be a Christian organization. If the name or mission statement of a nonprofit

organization includes "Jewish" or "Jew," then the organization is considered to be a Jewish organization.

Additionally, nonprofit organizations reporting their primary field of activity as "religion-related" are classified in the NTEE under code "X." This category will have substantial differences from the previously defined categories as it would exclude a large number of organizations that may be highly religious but are focused on a specific field of activity, such as poverty relief, prison outreach, or youth camps and thus are classified in another NTEE category.

Subsequent Year Total Contributions

Following previous research, this analysis defines contributions as the total dollar amount received by a nonprofit organization, including contributions from federated campaigns, membership dues, fundraising events, related organizations, government grants, and any other donation sources (Harris et al., 2015; James, 2018; Weisbrod & Dominguez, 1986). Returns reporting negative values for total contributions are excluded from the analysis because such values likely represent reporting errors. Returns where this box is left blank are included and treated as if they received $0 in total contributions.

Control Variables

The analysis controls for three other organizational characteristics that may separately influence a nonprofit's ability to raise funds: total assets, program service revenue, and organization age. Program service revenue is a measure of operational activity and includes revenues from fees for services and sales of goods. Program service revenue is reported on IRS Form 990, Part I, line 9, as "program service revenue." Total assets are reported on IRS Form 990, Part I, line 20. Organization age is calculated as the number of years since the organization formed. The year in which the organization formed is reported on IRS Form 990, Part L, "year of formation." Following Harris et al. (2015) and James (2018), negative values are excluded for all these variables as these are gross (not net) numbers and thus cannot be properly reported as negative.

Analysis

Ordinary least squares regressions explore the hypothesis using the general form of

$$\textbf{Total Contributions}_{i,t} = \beta_0 + \beta_1\textbf{Religious}_{i,t-1} + \beta_2\textbf{Fundraising expenditures}_{i,t-1} + \beta_3\textbf{Religious}_{i,t-1}\times\textbf{Fundraising expenditures}_{i,t-1} + \beta_4\textbf{Revenue}_{i,t-1} + \beta_5\textbf{Assets}_{i,t-1} + \beta_6\textbf{Age}_{i,t-1} + \varepsilon_{i,t}$$

Religious is a binary 0/1 variable that, in different analyses, is variously defined as Islamic, Christian, Jewish, or as having NTEE code "X." Fundraising expenditures are, in different analyses, defined as either total fundraising expenditures or specifically as expenditures for professional fundraising services. In this approach, greater marginal returns on fundraising expenditures by religious organizations, as compared with other organizations, would be reflected by a positive β_3 coefficient.

Results

Total Fundraising Expenditures

Table 1 reports results for six regressions exploring total fundraising expenditures. Column 1 defines religious organizations as those having a religion-related primary function (NTEE-X). Such religious organizations, controlling for assets, program service revenue, and age, receive significantly less in contributions (-$792.13) than nonreligious organizations. However, the marginal effect of fundraising expenditures on following year contributions is significantly greater. A $1 greater fundraising expenditure in such organizations is associated with $10.92 greater following year contributions, whereas it is associated with only $7.84 greater contributions for other organizations. This difference of $3.08, reflected by the coefficient for the interaction variable, is statistically significant at $p<.001$. Thus, every extra $1 that a religion-focused (NTEE-X) charity spends on its own fundraising is linked with about $11 in new donations next year, compared with about $8 for a secular peer.

Column 4 restricts the sample to organizations reporting positive fundraising expenditures. It finds similar results. In column 4, a $1 greater fundraising expenditure is associated with $10.23 greater following year contributions for NTEE code "X" organizations but only $6.60 greater following year contributions for other nonprofit organizations. This additional $3.63 difference in marginal return for fundraising expenditures at NTEE code "X" organizations is statistically significant at $p<.001$. Thus, for organizations that already invest in fundraising, the advantage widens: an added $1 brings back about $10 for NTEE-X charities but only about $7 for others.

Columns 2 (full sample) and 5 (positive fundraising expenditures sample) report these results when defining religious nonprofits as those with names or mission statements including words typically associated with the Muslim, Christian, or Jewish religions. The results for this definition of religious nonprofit are similar. Such religious nonprofits receive significantly fewer contributions (-$535.74 in the full sample and -$1,088.04 in the positive fundraising sample). But an additional $1 of fundraising expenditures is associated with a larger increase in following year contributions ($9.75 v. $7.57 for nonreligious nonprofits in the full sample and $9.14 v. $6.18 in the positive fundraising sample). These differences in marginal returns for fundraising expenditures by religious nonprofits of +$2.18 (full sample) and +$2.97 (positive fundraising sample), reflected by the coefficients for the interaction variables, are statistically significant at $p<.001$. Taken together, Muslim, Christian and Jewish-named nonprofits turn every new fundraising dollar into about $9–$10 of extra gifts; this is roughly $2–$3 more than the return earned by secular organizations.

Columns 3 (full sample) and 6 (positive fundraising expenditures sample) explore the three separate types of religious nonprofits in more detail. The previous relationships—significantly lower contributions and greater marginal returns for fundraising expenditures—appear again for both Muslim and Christian nonprofits. However, Jewish nonprofits do not appear to raise less money or experience significantly greater returns for fundraising

investments than do nonreligious nonprofits. Additionally, the interaction variable for Muslim organizations is two to three times the size of that for Christian organizations (+$6.28 Muslim v. +$2.19 Christian in the full sample and +$7.38 Muslim v. +$3.11 Christian in the positive fundraising expenditures sample). These results indicate that the Muslim organizations in our sample exhibit comparatively high marginal fundraising returns. The bottom line payoff is highest for Muslim charities, where $1 of additional in-house fundraising predicts about $14 in giving (vs. about $10 for Christian peers and no uplift for Jewish groups).

Professional Fundraising Fees

Table 2 reports results for six regressions exploring a specific type of fundraising expenditure: professional fundraising fees. Across all six regressions the estimated marginal effect from $1 greater professional fundraising fees for nonreligious organizations varies from $23.48 to $35.84 greater following year contributions. This is generally higher than the $6.17 to $7.84 estimated marginal effect for total fundraising expenditures for nonreligious organizations reported in Table 1. Thus, for most nonprofits, such fees are associated with exceptionally positive outcomes for following year contributions. Across the full sample, each additional dollar invested in external fundraising services is associated with an estimated $24–$36 increase in contributions in the subsequent fiscal year.

However, this relationship is different for certain types of religious organizations. Columns 1 and 4 show that religious organizations defined by NTEE Code "X" experience marginal effects from professional fundraising fees on following year contributions growth significantly lower than that of other nonprofits (-$23.22 lower in the full sample and -$27.37 in the positive fees expenditures sample). Thus, religion-focused (NTEE-X) organizations see almost no benefit, meaning each dollar spent on consultants tends to break even at best for this group.

But columns 2 and 5 show that religious organizations (Christian, Jewish, or Muslim) do not see this diminished effect. In fact, these organizations see significantly greater positive marginal effects from higher spending on professional fundraising fees (+$46.92 in the full sample and +$52.92 in the positive fees expenditures sample). As a group, these religious-named organizations enjoy an outsized consultancy payoff, netting around $80 in new gifts for every $1 paid to professional fundraisers.

Finally, columns 3 and 6 report these results separately for Christian, Jewish, and Muslim word nonprofits. These results show significantly greater positive marginal effects from higher spending on professional fundraising fees for Christian and Jewish organizations, but significantly lower marginal effects for Muslim organizations. A more granular analysis indicates that Christian and Jewish nonprofits achieve the largest marginal gains (approximately $75–$150 per additional dollar spent) while Muslim nonprofits exhibit no statistically significant return from comparable outsourcing.

Discussion and Implications

Religious teachings frequently valorize gifts that are voluntary, unadvertised, and free of transaction costs. Managers imbued with these norms may therefore keep solicitations minimal, confident that spiritually motivated donors will give without persuasion. The analysis shows that an additional dollar of fundraising expenditure yields a disproportionately large increase in contributions, suggesting an unsaturated donor base.

The literature review highlighted two intertwined logics of restraint that shape fundraising choices in faith-based organizations: a general religious ethos that prizes voluntary, uncoerced giving and eschews overhead, and a distinctively Islamic framework in which *zakāt* jurisprudence, community trust norms, and post-9/11 scrutiny impose even tighter constraints. The empirical evidence presented here illuminates how these normative logics translate into measurable financial patterns. Christian nonprofits exhibit this effect for internal fundraising expenditures (about $9–$10 in new gifts per new fundraising dollar), but the phenomenon is most pronounced among Muslim nonprofits (about $14). In other words, theological restraint produces a large reservoir of latent giving capacity that is quickly tapped once even modest outreach occurs.

However hiring outside consultants may not be an appropriate response for either Muslim nonprofits or religion-focused (NTEE-X) nonprofits. These outside consultants, who typically charge visible fees and prescribe techniques perceived as "commercial," may clash with these donor expectations or managerial convictions. Consequently, the same professional-fee dollar that yields $50–$120 in additional revenue for Christian or Jewish-named organizations predicts no incremental revenue for Muslim nonprofits or for religion focused (NTEE-X) nonprofits. This coefficient likely captures donor skepticism and internal resistance generated by methods that violate the community's ethos.

Christian and Jewish nonprofits, by contrast, operate in environments where professional fundraising has long been institutionalized, such as in universities, hospitals, federations, so donors seldom attach moral stigma to consultancy fees or practices. Many older nonprofits in the US, such as universities or hospitals, have names including Christian or Jewish words even when they are not, or are no longer, religiously focused. This seems less likely for Muslim-named organizations, which are generally newer and may be less likely to focus on purely secular outcomes. Additionally, outside consultants may be less likely to be familiar with relevant religious teachings for Muslim nonprofits than for Christian or Jewish nonprofits, as Muslims represent a smaller share of the population (Pew Research Center, 2020). Similarly, a specific focus on religious teachings is also more likely for organizations classified by NTEE code "X" as operating primarily for religion related purposes.

Thus, a mismatch between outside consulting services and specific religious teachings on appropriate fundraising behavior may be more likely either for organizations that are specifically focused on religion related purposes

or for Muslim organizations. Such a mismatch would fit with the empirical results shown in Table 2. These findings illustrate how cultural compatibility, not technical sophistication, conditions fundraising ROI (return on investment).

Practical Implications

Religious nonprofits, by most definitions of "religious," appear to underinvest in fundraising expenditures compared to other nonprofits. This is reflected by a relatively greater marginal return on such expenditures in following year contributions in many scenarios. Thus, from a technical efficiency perspective, the economic implication is clear: Religious organizations can profitably invest more in fundraising expenditures. However, the implementation of this must take into account how donor expectations or theological principles may shape fundraising strategies. Some initial suggestions for such nonprofits include the following: strategic pacing of fundraising investment, valuing cultural congruence over technical sophistication, reframing "overhead" for donors. and refining under-investment theory.

Strategic Pacing of Fundraising Investment

Boards of faith-based charities should recognize that high marginal returns signal under-capacity, not inherent fundraising superiority. A phased internal investment plan, including hiring culturally fluent staff, deploying peer-to-peer campaigns, or expanding digital stewardship, can unlock revenue while honoring theological constraints.

Valuing Cultural Congruence over Technical Sophistication

For Muslim nonprofits, the path to growth is less about importing mainstream fundraising playbooks and more about contextualizing appeals within *zakāt* jurisprudence, modesty norms, and community trust networks. External consultants who cannot speak that language will underperform.

Reframing "Overhead" for Donors

The results provide empirical leverage for religious leaders who wish to broaden donor understanding of overhead. Demonstrating that a 5–10% increase in fundraising spend can double or triple mission dollars may help reconcile stewardship theology with the pragmatic need for infrastructure.

Refining Under-Investment Theory

Classic economic models treat under-investment as managerial myopia or information failure. Our findings urge a more nuanced view in which under-investment is sometimes intentional, rooted in moral narratives about how gifts should be generated and spent. Future models should incorporate the cost of violating faith-based norms alongside standard revenue maximization criteria.

In sum, the empirical evidence vindicates the literature's contention that religious and, in particular, Islamic values systematically dampen fundraising

expenditure. Yet it also reveals substantial headroom for growth when investments are internally managed and culturally aligned. Put differently, the "cost" of an extra fundraising dollar is not just monetary; it includes symbolic dissonance in the form of risking appearing worldly, self-interested, or impious. Bridging that gap without eroding the religious meanings that motivate giving emerges as the central practical and scholarly challenge going forward.

Table 1: Regression on IRS Form 990 following year contributions using total fundraising expenditures (ordinary least squares reporting standard errors in parentheses)

	Including $0 fundraising			Excluding $0 fundraising		
Independent variables	(1)	(2)	(3)	(4)	(5)	(6)
Total fundraising	7.8443***	7.5677***	7.5677***	6.5952***	6.1751***	6.1705***
	(0.4233)	(0.4483)	(0.4483)	(0.4282)	(0.4287)	(0.4287)
NTEE_X	-792.1270***			-842.5267***		
	(41.6554)			(87.807)		
Religious name/ mission		-535.7439***			-1,088.0390***	
		(81.349)			(152.9397)	
Christian name/ mission			-772.5616***			-1,339.2030***
			(79.5951)			(159.6728)
Jewish name/ mission			953.7965**			600.1455
			(317.3091)			(396.1483)
Muslim name/ mission			-812.0174***			-1,409.0690***
			(96.3987)			(119.0714)
NTEE_X*Fundraising	3.0786***			3.6339***		
	(0.7876)			(0.6994)		
Religious name /mission*Fundraising		2.1806***			2.9697***	
		(0.5102)			(0.4826)	
Christian name /mission*Fundraising			2.1868***			3.1145***
			(0.514)			(0.4835)
Jewish name /mission*Fundraising			1.9475			1.3969
			(1.0747)			(1.0777)
Muslim name /mission*Fundraising			6.2783***			7.3833***
			(1.4007)			(1.3643)
Program Service Revenue	0.4215	0.4208	0.4248	-47.0313***	-48.1769***	-48.3787***
	(1.3392)	(1.3558)	(1.3571)	(8.1454)	(8.1476)	(8.1815)
Assets	5.2135***	5.3019***	5.3039***	54.1010***	55.7946***	55.9748***
	(1.3725)	(1.3939)	(1.3946)	(6.6441)	(6.6398)	(6.664)
Age	9.3700***	9.379649***	9.3016***	1.4251	1.1010	1.071889
	(1.777468)	(1.731798)	(1.732114)	(3.127809)	(3.00459)	(2.998455)
Intercept	1072.80***	1095.073***	1097.754***	1378.275***	1461.235***	1462.375***
	(84.59174)	(84.75972)	(84.75689)	(131.1833)	(131.2694)	(131.1343)
n	669,000	669,000	669,000	259,152	259,152	259,152
R-squared	0.1757	0.1770	0.1771	0.3861	0.3912	0.3914

Notes. *p<.05, **p<.01, ***p<.001

Table 2: Regression on IRS Form 990 following year contributions using professional fundraising fees (ordinary least squares reporting standard errors in parentheses)

	Including $0 professional fundraising fees			Excluding $0 professional fundraising fees		
Independent variables	(1)	(2)	(3)	(4)	(5)	(6)
Professional fundraising fees	35.8363***	32.4336***	32.4350***	27.4890***	23.4786***	23.4937***
	(3.5424)	(3.2826)	(3.2828)	(3.1236)	(2.5821)	(2.5835)
NTEE_X	-722.4460***			-241.1353		
	(40.5331)			(795.9962)		
Religious name/ mission		85.1335			-3,387.1740***	
		(91.8626)			(895.1599)	
Christian name/ mission			-321.3363***			-4,804.0170***
			(91.597)			(979.6294)
Jewish name/ mission			2,153.3640***			-605.1876
			(315.1515)			(1681.089)
Muslim name/ mission			-164.7526			-212.8337
			(257.9962)			(1926.199)
NTEE_X*ProfFundraisingFees	-23.2245***			-27.3652***		
	(4.3408)			(3.9537)		
Religious name/ mission*ProfFundraisingFees		46.9221***			52.9150***	
		(8.5509)			(8.0696)	
Christian name/ mission*ProfFundraisingFees			46.2968***			52.8626***
			(8.4989)			(8.0858)
Jewish name/ mission*ProfFundraisingFees			158.7876***			122.5373***
			(32.2162)			(34.0995)
Muslim name/ mission*ProfFundraisingFees			-22.3150***			-22.4177**
			(8.4336)			(8.1504)
Program service revenue	0.2226	0.1854	0.2000	-52.1742*	-55.2652**	-54.8709***
	(2.0307)	(2.0363)	(2.0380)	(20.5095)	(20.4482)	(20.4445)
Assets	8.7062***	8.7676***	8.7619***	81.9952***	84.4355***	84.2650***
	(2.1848)	(2.1985)	(2.1973)	(11.2035)	(11.1087)	(11.0995)
Age	26.2619***	26.1746***	25.9093***	82.8391***	76.8129***	76.3902***
	(1.8615)	(1.8566)	(1.854792)	(11.64273)	(11.4577)	(11.43498)
Intercept	1087.229***	1064.2***	1072.067***	1704.861*	2087.7988*	2088.594*
	(90.2818)	(89.7206)	(89.6746)	(845.5141)	(813.8515)	(812.8034)
n	669,000	669,000	669,000	26,800	26,800	26,800
R-squared	0.0588	0.0637	0.0641	0.2766	0.3003	0.3008

Notes. *p<.05, **p<.01, ***p<.001

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