



## Unraveling disintermediated giving

Ian MacQuillin – Rogare – The Fundraising Think Tank | Rita Kottasz – Kingston Business School | Juniper Locicento – National Arts Centre Foundation | Neil Gallaiford – Stephen Thomas Ltd

Disintermediated giving, or giving to a cause without partly or fully using a middleman such as a charity organisation to reach the beneficiary, raises questions about practices, ethics, regulation and accountability. However, without a framework in place, addressing these questions in a structured manner becomes challenging.

The study creates a typology of the main types of disintermediated giving and conducts a brief exploration of the ethical and regulatory issues within each one.

There are three main forms for disintermediation and disintermediated giving, and all three raise challenges both for the charities that have been disintermediated from the donor-beneficiary transaction and the organisations and individuals that have replaced them in that process. They also create a new need for regulators to understand when to intervene or not intervene. The proposed typology can help both these parties in understanding the subject better.

[#Disintermediation](#) [#Crowdfunding](#) [#MiddleMan](#) [#NonProfitSector](#) [#Fundraising](#)

### Background

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### Context



- **Disintermediation** is commonly defined as the removal of intermediaries in business transactions. **In the non-profit sector, disintermediation can be applied to organizations that adhere to a 'traditional charity model.'** This model typically involves voluntary organizations striving to meet a societal need or address a societal issue, with funding primarily sourced from philanthropy.
- **Such organizations are responsible for both acquiring and allocating resources, and disintermediation can occur in both** aspects of this process.
- **Crowdfunding is one type of, typically, disintermediated giving** that has emerged as a new way of raising money for a beneficiary or a cause. **Some argue that this type of fundraising democratizes philanthropy,** by allowing giving without the use of a mediator between a giver and it's recipient.
- **But crowdfunding might not guarantee that the intended beneficiaries receive help or that the funds end up in the intended place,** since it often **does not fall under the ethical and regulatory frameworks** that charity organisations have in place.
- Crowdfunding is one type of disintermediated giving that creates new regulatory dilemmas for the non-profit sector, but it is not the only one. The study suggests that **the absence of a comprehensive typology** to explain disintermediated giving as a whole concept **means that the non-profit sector cannot fully address the numerous ethical, regulatory, and practical questions raised by disintermediated giving.**

# ERNOP Research Note

Academic articles on philanthropy through a practitioner lens

## Take aways & Learnings



- Based on a comprehensive literature review including all aspects of disintermediation in respect to the non-profit sector, drawing from both academic research and contemporary literature. **The proposed typology aims to categorize the various forms of disintermediated giving into a unified framework.**
- The authors developed a framework comprising **three primary types of disintermediation in charitable giving**:
  - Type A: The traditional charity is completely disintermediated.
  - Type B: Only the fundraising function of the charity undergoes disintermediation.
  - Type C: Only the charity’s role as a service provider is subject to disintermediation.
- Within these types of disintermediation, there are also sub-types, depending on who facilitates the disintermediation of the charity
- The typology helps practitioners and researchers** to comprehend the challenges posed by the rapidly evolving fundraising sector for traditional charity organizations. In many countries, there is a decline in the percentage of the population donating to charity organizations, and engaging younger audiences has become a struggle. However, this doesn't imply reduced engagement or contributions; it simply means that people are opting for channels other than charity organizations to effect the change they desire in the world. **It is crucial for traditional charities to grasp this challenge to maintain their relevance.**

**FIGURE 1** The typology of disintermediation in the charity sector, showing what is being disintermediated and who is doing the disintermediation. Type C disintermediation is shown in brackets in the top left box, since the disintermediation of service provision (bottom left) almost certainly requires the raising of resources to provide these services.

		Who is doing the disintermediating?		
		Organisations operating an alternative to the 'Traditional Charity Model'	Individuals	Commercial fundraising organisations
What is disintermediated?	'Traditional Charity Model'	Ai (C)	Aii	NA
	Charity/NPO fundraising function	NA	Bi	Bii
	Service provision	C	NA	NA

ERNOP Research Notes provide easy-to-read, practice-oriented summaries of academic articles on philanthropy and are written by practitioner experts. This ERNOP Research Note 2023/28 is published in December 2023 and has been written by Mårten Palmefors from Giva Sverige, the Swedish Fundraising Association. More information can be found at [www.ernop.eu](http://www.ernop.eu).