Everyone does it!

On gifts, gratuities, and hospitality among brokers and lenders within the UK's alternative real estate lending market
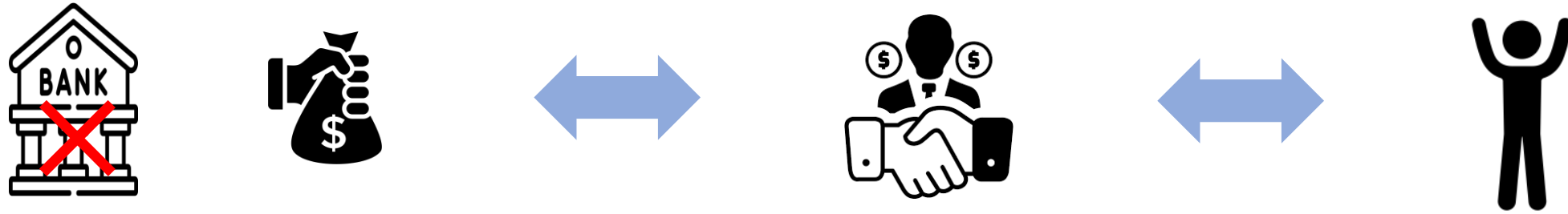
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Alternative real estate lending market

Definitions

- Gift - *"something, the possession of which is transferred to another without expectation or receipt of an equivalent"*
(Mauss, 1925)

- Gratuity - *"a gift or present (usually money), often in return for favours or services"* or a *"tip"*

- Hospitality - *"the reception and entertainment of guests, visitors, or strangers, with liberality and goodwill"*

- Bribe - *"the act of giving someone money or something else of value, often illegally, to persuade that person to do something you want"*
- *"reasonable and proportionate norms of the particular industry"*
(Ministry of Justice, 2011, p. 13)

Key questions

> Understand the use of gifts
> in the alternative real estate lending market

- What is the prevalence of gift giving and receiving?

- What are the corporate gift policies and views on them?

- What are the moral cut-off for gifts?

- **Does consistency in individual moral standards depend on (1) age, (2) gender, (3) profession, (4) professional membership or (5) employer's gift polices?**

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Literature - Benefits of gifts

- Business development
  (Arunthanes *et al.*, 1994; Beltramini, 2000;
  Graycar and Jancsics, 2017)

- Developing social bonds in a business transaction
  (Gordon and Miyake, 2001)

- Maintaining corporate brand awareness (Hall, 2013)

- Signal the intention and shorten the perceived
  social distance (Sahlins, 1965; Camerer, 1988;
  Otnes and Beltramini, 1996)

- Celebrate success (Fan, 2006; Hall, 2013)

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Literature – Issues with gifts

- Foster misconceptions (Steinbrook, 2009) and poorer service (Alexander, 2011)

- Reciprocity expectation (Eichler, 1991; Freeman, 1996; Feder, 1998; Douglas, 2002; Chao, 2018)

- Principal-agent problem (Stiglitz, 1989)

- Thin line between gifts and bribes and corruption (Chetwynd, 1995; Tillipman, 2014; Åkerström *et al.*, 2016; Ahamad Kuris *et al.*, 2023)

- Gift vs. bribe is subject to personal or cultural interpretation (Steidlmeier, 1999)

- Less effective than explicit bribes (Lambsdorff and Frank, 2010)

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Literature - Corporate gift policies

- Gift policies:
  - Capped
  - "Flexible"
  - None

- Implementation dependent on business culture (Gordon and Miyake, 2001; Martin *et al.,* 2013)

- Unrealistic business targets facilitating bribes to increase business volumes (Vaughan, 1982; Ashforth and Annand, 2003)

- Questionable effectiveness (Malmendier and Schmidt, 2017)

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Methodology

Online Qualtrics survey (n=108)

1. Subjects' attributes – age, gender, lender / broker, professional membership

2. Prevalence of experiencing offering and receiving gifts

3. Employer's existing gift policies (P_k) vs employees' views (V_k) on what they should be (*policy-view match*)

4. Monetarily quantifiable options of gift offers (O_{1-8}) to establish *moral value consistency* and the relationship between *policy-view match* and *moral value consistency*

1. Subject attributes

- Lending / brokering - 62% / 38%

- Male / female – 81% / 20%

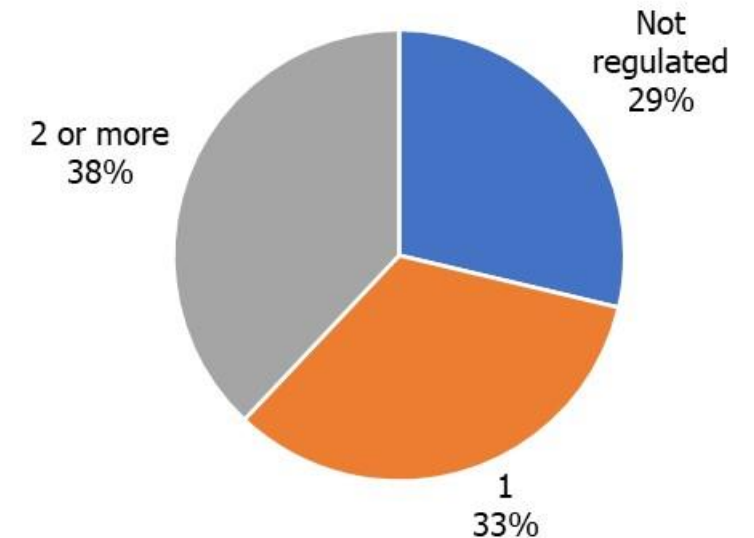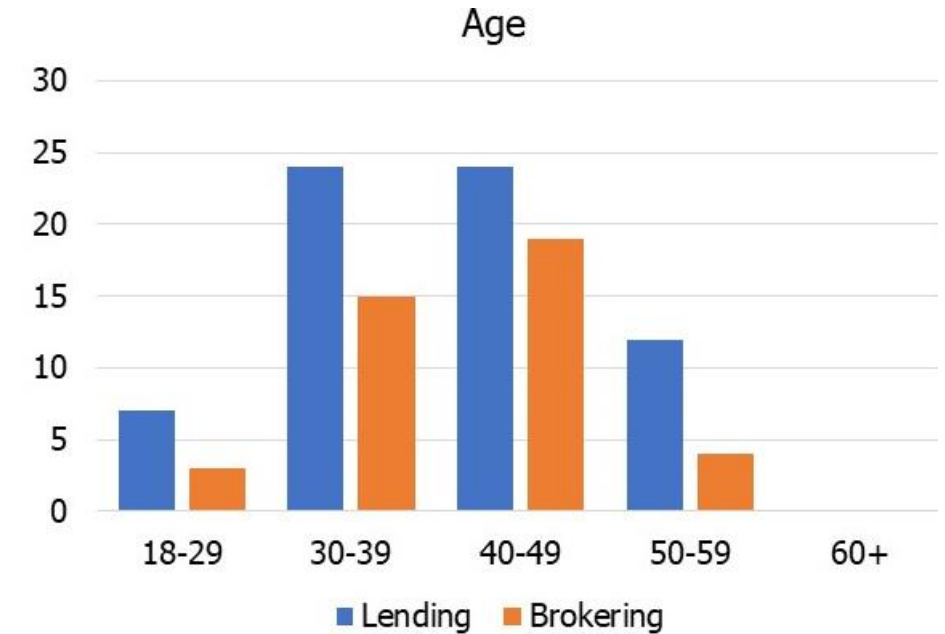- Age – 76% between 30 and 49

- Professional membership – 71%

Age chart

Pie chart: Not regulated 29%, 1 – 33%, 2 or more – 38%
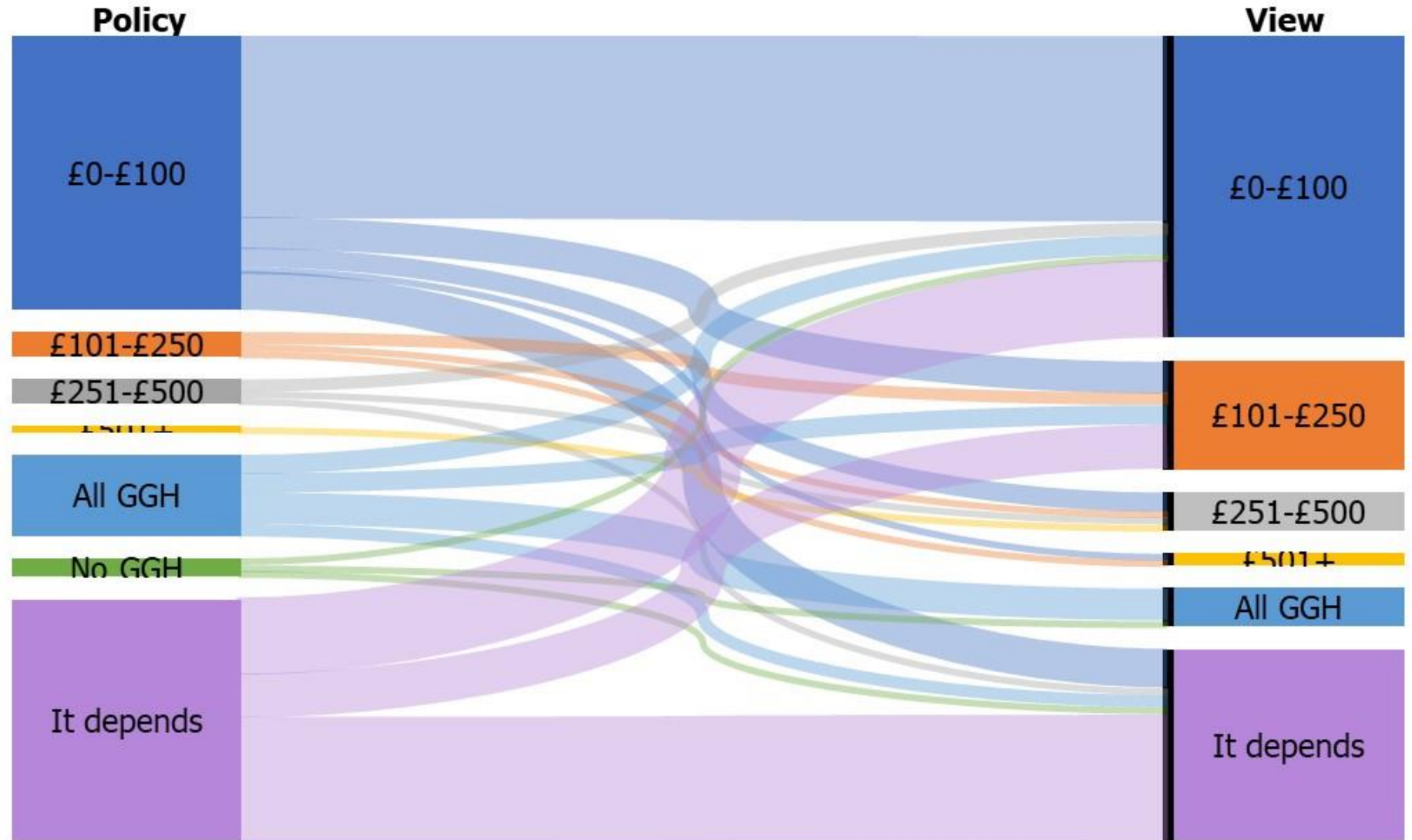
2. Prevalence of gift giving and receiving

- 86% experienced giving, receiving or both

- Correlation between giving and receiving - $\varphi = 0.46$

- Incidence of giving or receiving has no correlation with:

  - Profession

  - Gender

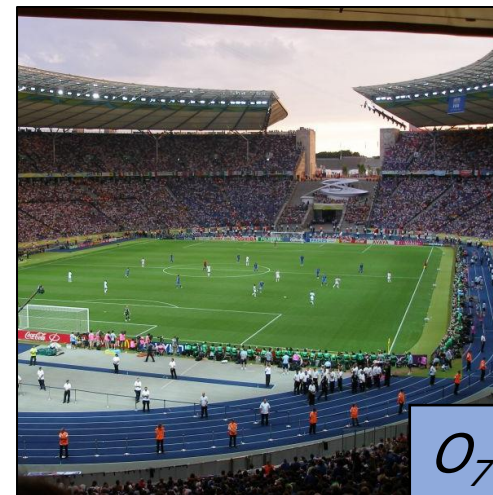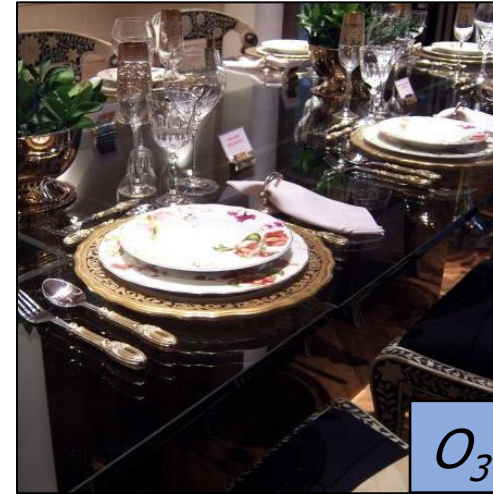 - Age

  - Professional membership

None
14%

Received
only
18%

Offered only
4%

Offered &
Received
64%
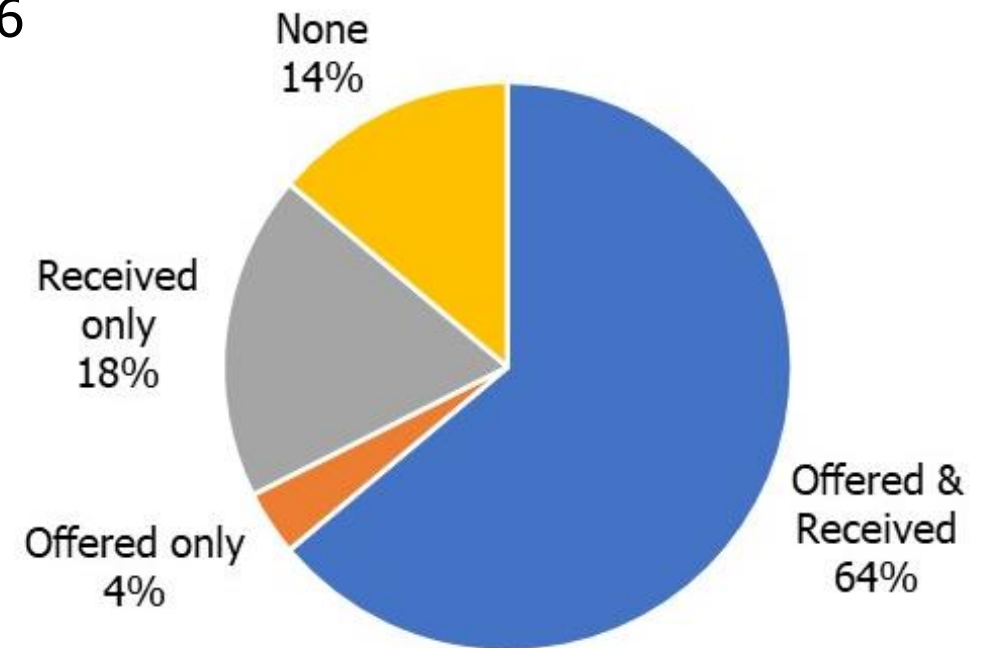
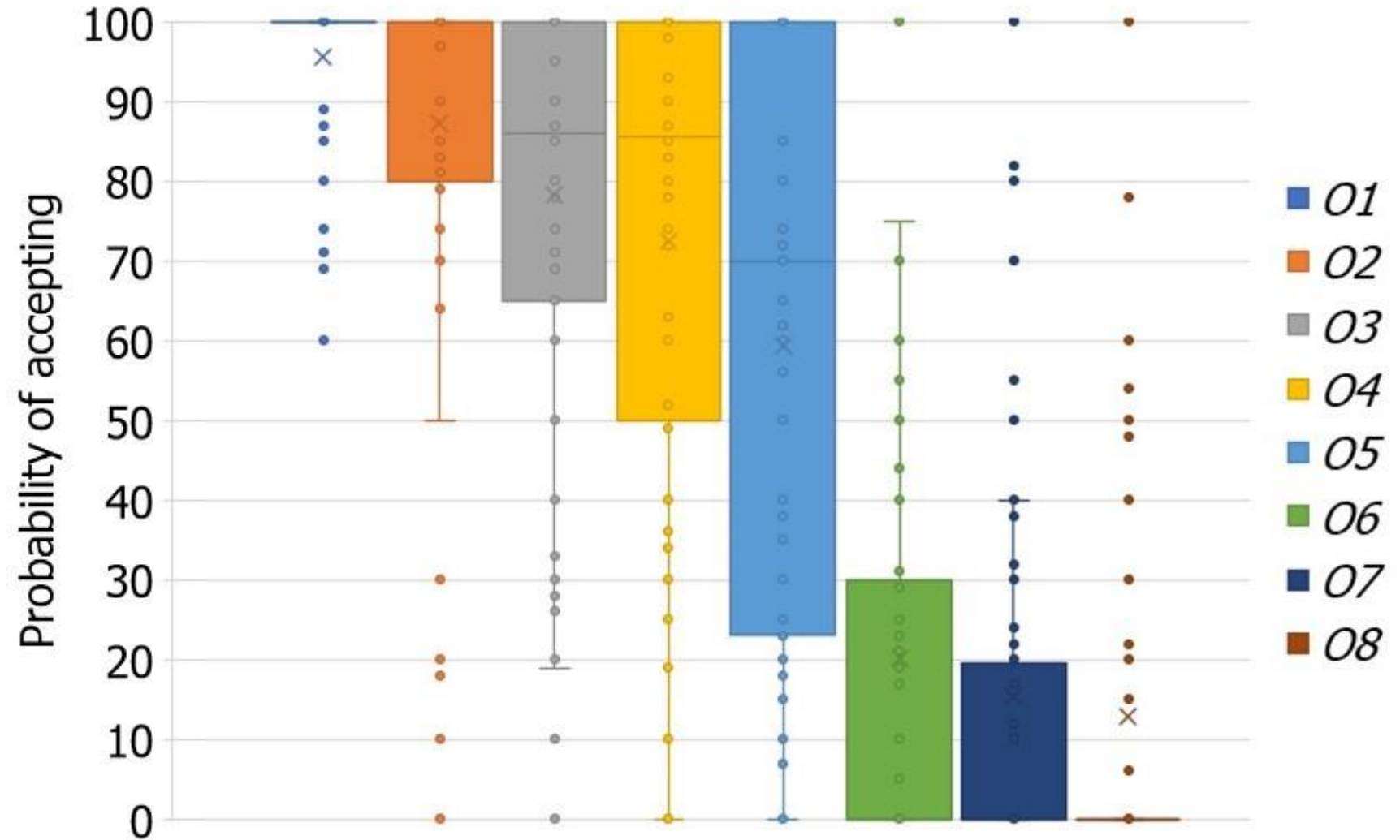# 3. *Policy-view match – 53%*

Hypothetical offers and results

4. Categories of gifts on offer (O_{1-8})

4. Gift acceptance

4. *Moral cutoffs*

- What is the probability of acceptance of offer O_i?

- *Moral value consistency* in the continuum: $\Pr[O_i] \geq \Pr[O_{i+1}]$ where $\forall_{i=1,\ldots,7}$.

- Acceptance cutoff binary: 1 if $\Pr[O_i] \geq$ X, and 0 otherwise where X=0.1, 0.2, ..., 0.9.

X=0.1

O_1	O_2	O_3	O_4	O_5	O_6	O_7	O_8
1	0	0	0	0	0	0	0
1	1	1	0	0	0	0	0
1	0	1	0	0	0	0	0
1	1	1	0	0	0	0	0
1	1	1	0	0	0	0	0
1	1	1	0	0	0	0	0
1	1	1	0	0	0	0	0
1	1	1	1	0	0	0	0

X=0.9

O_1	O_2	O_3	O_4	O_5	O_6	O_7	O_8
0	0	0	0	0	0	0	0
1	1	0	0	0	0	0	0
1	0	0	0	0	0	0	0
1	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
1	1	0	0	0	0	0	0
0	0	1	0	0	0	0	0
1	0	0	0	0	0	0	0

- Consistency is dependent on cutoff binaries.

4. *Moral cutoff* (X=0.5)

X	Consistency (%)
0.1	89%
0.2	83%
0.3	78%
0.4	74%
0.5	**72%**
0.6	76%
0.7	71%
0.8	69%
0.9	71%

Frequency of acceptance at X=0.5
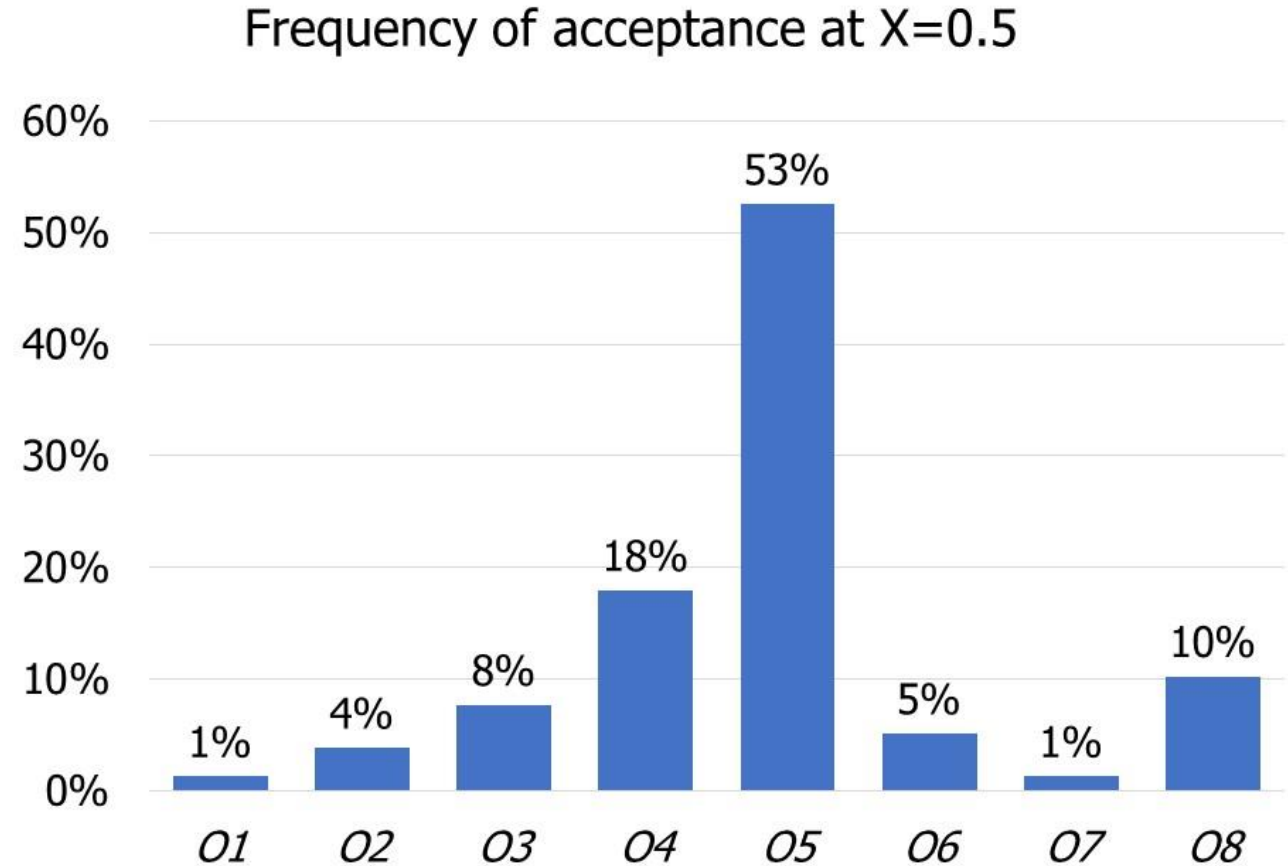
Results

- Strong prevalence of gift giving and receiving with the expectation of reciprocity

- Low *policy-value match*

- Limited *moral value consistency*

- Consistency in individual moral standards **DOES NOT** depend on (1) age, (2) gender, (3) profession, (4) professional membership or (5) employer's gift polices

Gifts   **Bribes**
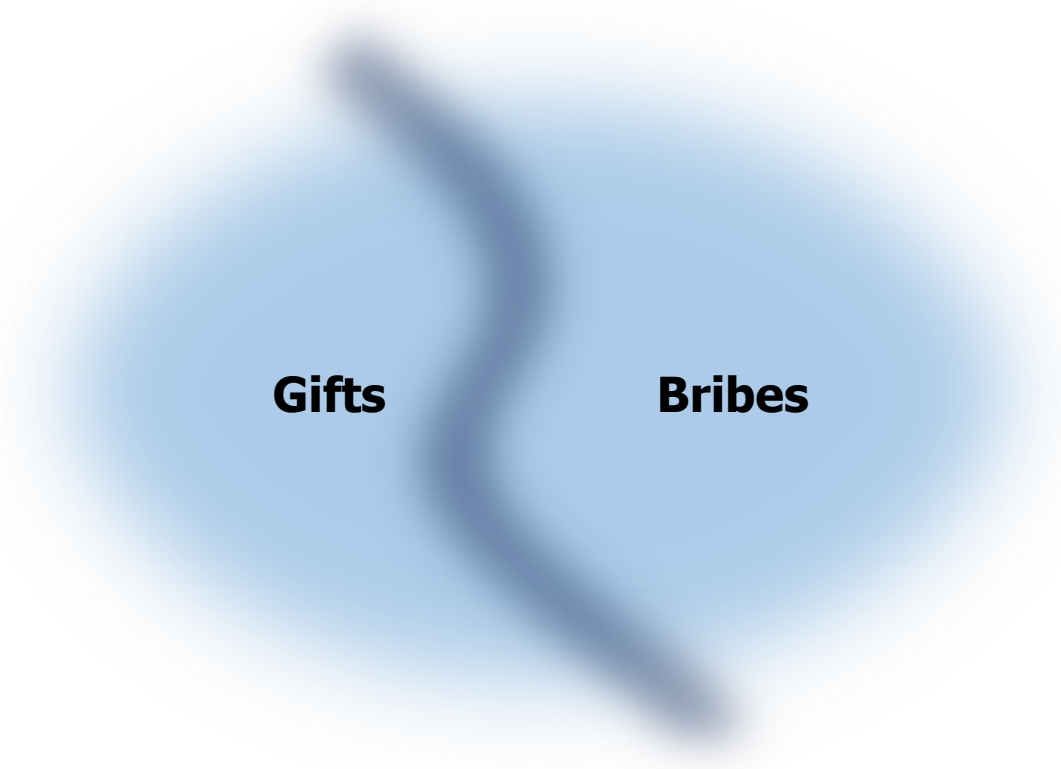
Future research

Profiles of gift givers and (potential) recipients in the alternative real estate lending market

Corporate gift policies and staff compliance

Information asymmetry on contingent fees

International practices (cultural context)

Questions?

Thank you

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