

# The Current Situation, Problems and Countermeasures of Online Public Welfare Crowdfunding

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## ABSTRACT

Online public welfare crowdfunding makes up for the shortcomings of traditional public welfare crowdfunding institutions, but it also has many problems. This paper takes online public welfare crowdfunding as the research object, analyzes the development status of online public welfare crowdfunding in my country, discovers the current problems of online public welfare crowdfunding, and puts forward governance suggestions for online public welfare crowdfunding, so as to promote online public welfare crowdfunding development of.

**Keywords:** *Online public welfare, Crowdfunding, Platform supervision*

## 1. INTRODUCTION

### 1.1. Research background and meaning

#### 1.1.1. Research background

The application of the Internet has produced a new model of online public welfare crowdfunding. People can use the Internet to directly publish the information for help on the platform, expanding the scope of crowdfunding, and at the same time improving the speed of crowdfunding and higher transparency. Originally, the only way to seek help was through traditional charities. Online public welfare crowdfunding effectively makes up for the deficiencies of traditional charities, but it also has many problems.

#### 1.1.2. significance

As an emerging public welfare model based on the Internet, online public welfare crowdfunding has many advantages and plays an important role in the rescue of patients with serious diseases. Through the analysis of the current situation of my country's online public welfare crowdfunding, the existing problems are found, and the applicable network public welfare is proposed. Governance countermeasures for the development of crowdfunding will further enrich the governance theory of online public welfare crowdfunding and promote the development of online public welfare crowdfunding.

### 1.2. Theoretical basis

#### 1.2.1. herding theory

What we call herd mentality refers to the herd effect, which means that when people do something, they do not know the reason for doing it or the purpose of doing it, lacking their own opinions, but others do it and do it themselves.

#### 1.2.2. Collaborative Governance Theory

The theory of collaborative governance means that in order to achieve a common goal, in addition to the governance of the government and official organizations, all producers also work together to govern. The collaborative governance model is an emerging governance model. The government, the public, social organizations and other subjects participate in social governance to maximize governance benefits and better achieve goals.

### 1.3. Literature review

#### 1.3.1. Current status of foreign research

Research on Internet Public Welfare Crowdfunding. The Artistshare crowdfunding website was launched in the United States in 2003 and is the world's earliest online

public welfare crowdfunding platform. Ahlers[1] pointed out that online public welfare crowdfunding uses the Internet to make crowdfunding more extensive, and the success rate of fundraising has also been increased. Mellissa [2] pointed out the problems existing in American public welfare fundraising. She believes that the government should formulate the norms of online fundraising and improve the law. Susan D.Philips[3] analyzed the evolution of Canadian public fundraising and pointed out that the application of the Internet in public fundraising has changed its original nature. Rachel E.Wheat[4] pointed out that various problems in online public welfare crowdfunding should be analyzed from subjective and objective factors, and through analyzing these factors, put forward targeted suggestions.

### *1.3.2. Research state in China*

"Dream Chaser" entered the public eye in 2011 and is one of the pioneers of domestic crowdfunding websites. Scholars Wang Lidong and Liu Meijuan[5] pointed out that online public welfare crowdfunding is composed of three core elements: initiators, crowdfunding platforms and donors.

Online public welfare crowdfunding platforms provide communication media for initiators and donors of online help-seeking projects. The initiator publishes information through the platform, and the donors donate funds through the platform to jointly complete a public welfare project. Scholar Wang Miao [6] first proposed the use of network governance theory to analyze public welfare crowdfunding. He pointed out that the participants of network public welfare crowdfunding should cooperate and use the network governance model to deal with problems. Scholar Qu Litao [7] pointed out that legal status, internal norms, and external supervision are relatively big problems in online public welfare crowdfunding today.

Scholar Ke Xiang [8] pointed out that the government is eager to achieve success in the supervision of online public welfare crowdfunding, and should prompt it to form an industry self-discipline mechanism. The scholar Guan Shuxin [9] effectively regulates online public welfare crowdfunding platforms from both macro and micro perspectives. Scholar Li Jian [10] pointed out that the online public welfare crowdfunding platform should be managed from the aspects of industry norms, management boundaries and tax policies. Scholar Zhao Qi [11] conducted research on the obligations and civil responsibilities that online public welfare crowdfunding platforms should perform.

## **2. DEVELOPMENT STATUS OF ONLINE PUBLIC WELFARE CROWDFUNDING**

### ***2.1. The concept and characteristics of online public welfare crowdfunding***

#### *2.1.1. The concept of online public welfare crowdfunding*

The Oxford Dictionary defines crowdfunding as "Crowdfunding", which translates to raising funds from the public, and interprets it as the initiator raising funds from unspecified objects. Online public welfare crowdfunding is a new type of public welfare model based on the combination of philanthropy and the Internet. The participants in online public welfare crowdfunding are the initiator and the donor respectively.

The initiator is the person who needs help or his relatives, and publishes the project through the online public welfare crowdfunding platform to seek help in the event of serious illness or difficulty. Donors are enthusiastic netizens who are capable and willing to help, and provide financial assistance to the initiators. Online public welfare crowdfunding platforms connect help seekers with donors, attracting more people to participate in public welfare undertakings.

#### *2.1.2. Characteristics of Internet Public Welfare Crowdfunding*

Different from traditional public welfare crowdfunding, online public welfare crowdfunding has its own obvious characteristics, mainly including the following points: First, low threshold. Online public welfare crowdfunding has a lower threshold for the participation of all parties. Second, efficiency. Online public welfare crowdfunding does not need to consider time and space by virtue of the advantages of the network platform, improves the efficiency of fundraising, and uses the self-media to spread project information to expand the scope of fundraisers. Third, transparency. The online public welfare crowdfunding platform announces the whereabouts of the funds raised by the project in a timely manner, and transfers the funds to a third party to keep the funds, which ensures the transparency of the online public welfare crowdfunding platform.

### ***2.2. The development scale and conditions of online public welfare crowdfunding***

#### *2.2.1. The development scale of online public welfare crowdfunding*

In 2017, there were 18 online public welfare crowdfunding platforms in China, which successfully raised 9,521 projects that year, accounting for 80.24% of the total number of public welfare service products in the

year. The rapid development of new forms of Internet media in recent years has led to the emergence of many new forms of media. Under this new form of information dissemination, my country's online public welfare crowdfunding platform has developed very rapidly.

### *2.2.2. Conditions for the rapid development of online public welfare crowdfunding*

The rapid development of online public welfare crowdfunding benefits from the popularization of Internet services, which provides a technical foundation for the development of social networks. The number reached 989 million, an increase of 85.4 million compared with March 2020, and the Internet penetration rate reached 70.4%. The total number of netizens in my country is huge, which is a good foundation for online public welfare, and the rapid development of mobile payment technology has surpassed the barrier-free level, creating conditions for the development of online public welfare crowdfunding.

## **3. PROBLEMS AND CAUSES OF INTERNET PUBLIC WELFARE CROWDFUNDING**

### *3.1. Problems existing in online public welfare crowdfunding*

#### *3.1.1. Fraudulent donations occur from time to time*

The problem of fraudulent donations refers to the behavior that the initiators defrauded funds through fictitious facts on the Internet or the disease was true, but their own families were rich and did not need to rely on external assistance but concealed the facts to get help from everyone.

For example, "Huang's fraudulent donation incident", in July 2018, Huang, a college student in Sichuan, was seriously ill and his mother posted a request for help on the Shuidichou platform, and received a total donation of 250,000 yuan, but netizens discovered and verified it afterwards. Huang's family is wealthy, and netizens questioned this, but Huang did not respond and left it alone. The problem of excessive fundraising refers to asking for help on multiple online public welfare crowdfunding platforms at the same time, and the funds obtained far exceed the amount they actually need.

### *3.2. Analysis of the Causes of the Problem of Online Public Welfare Crowdfunding*

#### *3.2.1. Lack of legal system for online public welfare crowdfunding*

Online public welfare crowdfunding is a new form of

philanthropy in China, and the relevant legal system in my country does not cover the possible problems[12]. my country only includes charitable organizations in the Charity Law, and there is no clear definition of online public welfare crowdfunding, and some scholars deny the legitimacy of online public welfare crowdfunding.

### *3.2.2. The actual operation of online public welfare crowdfunding lacks supervision*

The essence of online public welfare crowdfunding is to help people in need to solve problems. On the online public welfare crowdfunding platform, sponsors accept donations from donors. However, due to the lack of supervision over the operation of the online public welfare crowdfunding platform, some crowdfunding platforms use this to carry out other activities [13]. Activities, such as placing a large number of advertisements on the platform, or even false advertisements to obtain high service fees, and some even illegally raising funds in the name of public welfare crowdfunding, have caused a great negative impact on online public welfare crowdfunding.

## **4. POLICY SUGGESTIONS ON IMPROVING INTERNET PUBLIC WELFARE CROWDFUNDING**

### *4.1. Formulate legal norms for online public welfare crowdfunding*

#### *4.1.1. Formulate laws on online public welfare crowdfunding*

In order to fundamentally enable the healthy development of online public welfare crowdfunding and effectively protect the legitimate rights and interests of donors, relevant laws and regulations should be formulated as soon as possible [14]. The law protects the rights and interests of donors and stipulates the special rights that donors enjoy.

#### *4.1.2. Establish an information disclosure system*

It should be determined that the online public welfare crowdfunding platform should assume the responsibility of information disclosure during the crowdfunding process[15]. The publishers of online public welfare crowdfunding platforms and projects should clearly publicize their projects in accordance with the relevant information requirements stipulated by law. During this period, if they need to change the amount involved in the crowdfunding project and other specific contents of the project, they must obtain Consent of all donors

## 5. CONCLUSION

The development of online public welfare crowdfunding in China is very rapid. Although there are some problems, it has made great contributions to public welfare undertakings in my country. With the development of the information age, online public welfare crowdfunding should pay more attention to the value and power brought by big data, better promote the development of online public welfare crowdfunding, and effectively solve the problems existing in online public welfare crowdfunding.

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