

# Research on the Problems and Countermeasures of Chinese Crowdfunding

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## Abstract

*“Crowdfunding” is a concept that uses a network platform to publicly raise funds from non-specific social groups, obtain the attention and support of social groups. The development of internet finance in China is marked by the crowdfunding network’s official launch in 2013. The development of Internet Finance solves the problem of “financing is difficult and expensive” for small and medium-sized enterprises, reduces the financing cost and improves the financing efficiency. It provides a way for the people’s idle funds and improves the utilisation rate of capital. At present, the crowdfunding platform in China is in the early stage of development. Its corresponding industry rules have not been effectively established, and there are potential risks and problems in the operation process. In this study, we suggest several measures to play a reference role in crowdfunding development in China.*

*Keywords:* Crowdfunding; Internet; financing channels; China

## 1. Introduction

Crowdfunding’ refers to raising capital via the internet from many individuals (Bradford, 2012). It is common to China, the US and the UK, among other countries (Hu & Yang, 2014). Based on China’s original financing model, there are small financing scales, imperfect supervision, ineffective evaluation of intangible assets, and high financing risks. The local characteristics effectively got rid of these problems and created the “Internet + Finance” financing model. With the rapid development of Internet technology, the traditional business development model and the cultural media industry’s development have changed in recent years. Chinese crowdfunding has a relatively rapid development even it is still in its initial stages. It has been facing asymmetric information, small financing scale, backward concepts, inadequate infrastructure, and effectively solving these problems.

This article has elaborated on the development status, problems and research methods of crowdfunding in China and put forward several suggestions in this paper to play a certain role in the future development of crowdfunding.

## 2. Literature review

Malkiel and Fama (1970) explained that the market effectively reflects the market participants' information using effective market theory. Regardless of the investment method and investment project is selected in the market transaction, the effective market's investment entities can only get the benefits equivalent to risks. In crowdfunding financing, the investor invests according to the project party's information and released by the platform. If there is a risk warning, its price is lower than the normal market transaction price, and this part of the difference is the value of investment risk.

Yang and Luo (2020) stated that the current financing model has several problems which seriously affect China's cultural media industry's healthy and sustainable development. However, the crowdfunding financing model spawned under internet finance has opened a new way to solve financing difficulties in China's cultural media industry due to the double threshold reduction of its funders and financiers, open participation in reducing information asymmetry. At the same time, crowdfunding has many positive effects on the cultural media industry. As far as financing entities are concerned, the crowdfunding model broadens financing channels, reduces financing costs, and strengthens publicity and promotion; for investment entities, the crowdfunding financing model strengthens the target audience.

Si (2020) found that the agricultural economy is necessary for crowdfunding development. First, agricultural crowdfunding is a new way to solve the current agricultural problems; second, the agricultural crowdfunding model hedges agricultural planting risks. The fundraising model reduces agricultural products' circulation and promotes the supervision and protection of crops' quality. Finally, it promotes the integration of agricultural planting resources and the establishment of agricultural brands. Simultaneously, there are certain types of risks in agricultural crowdfunding, such as natural risks (depend on the weather conditions), operational risks (agricultural commodities need special inventory conditions and logistics system), legal risks (the risk of crowdfunding fraud and for investors, it is difficult to identify the agricultural products) and the information asymmetry risk.

Lin (2017) studied that equity crowdfunding platforms are not neutral intermediaries in linking investment opportunities with sources of funds. The contractual designs adopted by numerous Chinese platforms, especially those of the syndicate contract, fail to address the conflicting interests and introduce additional conflicts. Other market mechanisms, such as reputation, exit and private insurance, are also insufficient to ensure investor protection.

Shahab et al. (2020) examined the impact of online feedback on the extent of alternative startups' fundraising success or failure through reward-based online crowdfunding platforms. They employed a unique dataset of 620 projects from renowned reward-based Chinese crowdfunding platform "Demohour" (a major pioneer Chinese crowdfunding platform), and the findings showed a significant effect of online feedback on the extent of success or failure of reward-based crowdfunding campaigns.

## 3. The development of internet crowdfunding

### 3.1. Development status of crowdfunding in China

Crowdfunding is a new type of financing model based on internet technology and with the help of the "Internet+" model, which effectively solves some of the shortcomings of the traditional cultural industry financing model (Ahlers et al. 2015; Belleflamme, Lambert, & Schwienbacher, 2014; Bruton et al. 2015; Mollick, 2014). Crowdfunding refers to the fundraiser's display of projects, works or ideas in the industry direction to an unspecified majority of people through the internet platform to raise funds for products, projects or creative activities of individuals or organisations. Investors online choose a

project which has development potential for investment. After the project is realised or profitable, the fundraiser will give investors a new type of financing model in currency, physical or equity dividends. This kind of financing method will solve several shortcomings of traditional financing.

The Chinese crowdfunding market is the largest in the world (Bi, Liu, & Usman, 2017; Shahab et al., 2019; Zheng et al., 2014). The first crowdfunding platform was launched in July 2011 in China, and by September 2016, the count reached 415 in just five years. Out of these 415 platforms, 207 are reward-based crowdfunding platforms, 127 are non-public equity financing, 13 are charity crowdfunding, and 68 are mixed-type crowdfunding. Compared to RMB 2.82 billion raised in 2014, the Chinese crowdfunding platform raised RMB 11.424 billion in 2015. It shows a sharp increase of about 305.1% in just one year. Chinese crowdfunding platforms increase their size and are listing themselves with the Industrial and Commercial Administration in China. Besides, several crowdfunding platforms have been declared bankrupt. In 2015, 40 crowdfunding platforms went bankrupt compared to 134 in 2016. Chinese regulatory agencies, including the China Banking Regulatory Commission (CBRC), People's Bank of China (PBOC), the China Internet Information Technology Office (CIITO) and the China Insurance Regulatory Commission (CIRC), drafted strict rules and regulations for internet finance. On July 28, 2015, these regulators took the first step when they released guiding opinions to promote entrepreneurial internet finance.

In 2013, the first Chinese crowdfunding website was under the banner of internet finance launched, and China's first public welfare crowdfunding website was established. In September 2014, the easy-to-initiate "Severe Disease Relief<sup>2</sup>" model opened a new model of public welfare crowdfunding in China. Afterwards, charity crowdfunding, water drop financing and other public welfare crowdfunding models were successively established. China's public welfare crowdfunding has developed rapidly. It has easily raised funds of more than RMB 25.5 billion for 2014-2018, helping more than 2.53 million families. The loving care platform was established in 2015; in the first three years, more than 150 million people participated in caring donations, helped 300,000 seriously sick families and raised nearly 5 billion RMB for medical treatments. The water drop platform exceeded 340 million people who participated in the gift of love and provided donations for more than 800,000 severely sick patients in 2016-2018. The cumulative fundraising amount exceeds RMB 10 billion. Table 1 shows the various types of crowdfunding in China as of the end of June 2018.

Table 1: Various types of crowdfunding in China

Project type	Total number of projects	Successful projects			
		Nu of projects	Expected financing amount (RMB 100 million)	Raised funds amount (RMB 100 million)	Support person-times (RMB ten thousand)
Property right	28010	27976	69.13	69.13	38.48
Reward based	12171	7169	12.74	53.14	688.28
Equity based	857	253	9.53	12.99	1.52
Public Welfare/ Charity	7879	4876	9.76	1.86	889.78
Total	48935	20274	101.16	137.11	1618.06

Data source: Wind database

<sup>2</sup>In Chinese 《大病救助》

Even after a significant drop in crowdfunding volumes in 2018, China is the largest crowdfunding market in the world with a global market share of 70.7% in 2019 (Adjakou, 2021; Kovalova,&Poradova,2021).China had negative growth of -39.9% in 2018, dropping from a yearly funding volume of \$357.25 bn in 2017 to \$215.4 bn. This also represents a break in the previously continuous trend of growth dating back to 2013 primarily caused by stricter regulation around peer-to-peer lending, which has resulted in several high-profile bankruptcies and platform closures.

The development of crowdfunding in China did not take off before 2013 and the impressive growth rates leading to the status of the world's largest market have not come without consequences. Since late 2015, several crowdfunding platforms have been revealed as frauds and many others have been forced to close due to liquidity problems. Others again are pivoting away from P2P lending and other types of crowdfunding to focus on more traditional markets, like the retail investment market. Chinese authorities are still in the midst of enforcing a stricter regulation on crowdfunding platforms with a special focus on P2P lending, something that definitively played a role in the negative growth we saw in 2018 and probably will continue to affect the volumes raised through crowdfunding in China negatively in the years to come. However, there is a very real demand for crowdfunding in China, and financing through crowdfunding still only accounts for a small part of the overall borrowing market leaving plenty of room for further growth after the many regulatory initiatives have been implemented

The domestic crowdfunding projects can be divided into three categories:creative culture, entrepreneurial inventions and public welfare. Crowdfunding Network has launched crowdfunding financing such as movies and concerts in 2014. Domestic animation “The Return of the Great Saints<sup>3</sup>” is a more successful and typical cultural class crowdfunding project. It is a movie equity crowdfunding project involving 89 crowdfunding investors for a total income of RMB7.8 million. At the time of redemption, the principal and interest are expected to be about RMB30 million, and 89 crowdfunding investors will benefit from an average of RMB250,000 each. There are three main types of investors participating in the crowdfunding of “The Return of the Great Saints”: friends in the producer's financial circle, friends of listed companies, and investments that individuals have brought together. “The Return of the Great Saints” won the 730 million box office within 20 days of its release. In the two months of the film's release, the box office exceeded RMB960 million and became the overall champion of the Chinese animated film box office.

The second category is entrepreneurial inventions. There are many successful cases of hardware entrepreneurship on “Indiegogo”. To obtain financial support more effectively, financiers need to incorporate creative solutions and business plans. Materials related to the protection of intellectual property rights are placed on the crowdfunding platform. Due to the openness of the crowdfunding website and the uncertainty, the protection of intellectual property rights is not strengthened. Others may plagiarise the project ideas displayed on the crowdfunding website. After others see the ideas of such crowdfunding projects, the direct implementation will cause the financier's project to fail and expose the financier to intellectual property disputes. Therefore, intellectual property rights are the turning point of entrepreneurship and invention crowdfunding, especially the need to construct relevant infrastructure such as national sound laws.

The third category is the public welfare category. JD.com's equity crowdfunding was officially launched in July 2014, and public welfare crowdfunding was launched at the end of 2014. The project “Doing Public Welfare with Nicholas Tse<sup>4</sup>” was launched in June 2015, and the crowdfunding amount exceeded RMB one million. The public welfare projects initiated by individuals will continue to increase enterprise participation and gain public trust on crowdfunding platforms with higher credibility. JD.com public welfare crowdfunding has established a public welfare crowdfunding alliance and hopes to

<sup>3</sup>In Chinese 《大圣归来》

<sup>4</sup>In Chinese 《和谢霆锋一起做公益》

become a platform for gathering resources to bring more positive energy and support to society.

### **3.2. Ways of crowdfunding**

The most common way to classify crowdfunding financing is based on the different ways that crowdfunding financing returns investors. There are four types of financing.

Debt-based crowdfunding is essentially a form of credit activity where both investors and funders lend funds at specific interest rates. The investment and financing parties usually agree on the type of loan, currency, purpose, amount, interest rate, duration, and repayment method, liability for breach of contract (Hemer et al., 2011; Kaltenbeck, 2011; Kortleben&Vollmar, 2012). The CBRC has also drafted stricter regulations and rules for lending-based crowdfunding to regulate its activities (Zhang et al., 2014). The risk of this crowdfunding method is lower than equity crowdfunding.

Equity crowdfunding means that the company sells a certain percentage of shares to ordinary investors. Investors invest in the company to obtain the expected annualised income in the future. This mode of financing based on Internet channels is called equity crowdfunding. Another explanation is that "equity crowdfunding is the internalisation of private equity." Unlike return crowdfunding, equity crowdfunding is a form in which everyone obtains equity to invest in a project on the crowdfunding platform. Specifically, it refers to the entrepreneur's financing by initiating his project to give up the corresponding proportion of project equity. After the project is successful, the investor will hold a certain amount of equity. Equity crowdfunding makes earlier private equity investments through the internet, which is a supplement to venture capital.

Endowment crowdfunding refers to the legal relationship between investors and funders that is essentially a gift contract relationship, and investors are donors and fundraisers are recipients. Investors do not seek any return after providing funds to funders, and funders do not need to provide any returns to investors, so donated crowdfunding is free. The charity project released on the crowdfunding agency is essentially an offer from the fundraiser to the investor. As long as the investor commits in a certain way, both parties will reach a consensus, and then the fundraiser accepts the gift. The specific form of the investor's commitment should be making money from the fundraiser's fundraising account on the crowdfunding intermediary. When the investor's fundraising activity is completed, the gift contract is established. Later, investors and fundraisers obtain corresponding rights and obligations following the rules of the gift contract.

Reward-based crowdfunding is the simplest and most common way of crowdfunding. It refers to the fact that funders promise to give back certain benefits to investors when raising funds. After the end of the project, the fundraiser will use the goods or labour services they produce to give back to investors, including physical equivalents such as coupons or equity assets such as pre-sale priority. The gift-giving nature of reward-based crowdfunding is that investors provide part of the funds to fundraisers free of charge. The buying and selling nature of reward-based crowdfunding is mainly reflected in the fact that funders appear as operators. Usually, funders need to provide investors with a certain amount of prizes.

### **3.3. Differences between domestic and foreign crowdfunding financing platforms**

There are many differences between domestic and foreign crowdfunding financing platforms. First, they are caused by the different levels of development. Crowdfunding in Western countries, mainly in the United States, started earlier and has a higher degree of development. The launch of the crowdfunding network in 2013 marked the official start, with a relatively low level of development.

Besides, the crowdfunding model in the United States is protected by law, and anyone can make investments and obtain equity returns. While most crowdfunding in China returns investors in a material way, equity crowdfunding is still being explored. This stage, especially in terms of return methods, is relatively simple and lacks abundant return methods. The crowdfunding financing mechanism is not yet mature. Therefore, the purpose of domestic investors' investment is mainly profit-seeking, not "investment". As a result, it is difficult for investors to choose an enterprise that they think has better development prospects and is still in its infancy. Growing together, but more often investing in a company that is relatively well-developed at the moment. During the short run, investors will collect the income and withdraw the investment promptly. In the long run, it cannot obtain high returns. Also, they cannot obtain sufficient and stable funds for enterprises, and it is not easy to guarantee their long-term stable development.

Most of the foreign projects are high-quality projects of innovation and entrepreneurship, and their prospects are considerable. The country and society are long-term favourable, while domestic crowdfunding financing is doing well in agricultural e-commerce and other aspects. On the other hand, through the joint publicity of the crowdfunding financing platform and the financiers, the brand of domestic agricultural products has been established, which has opened the market for many high-quality agricultural products, made corresponding contributions to the fight against poverty in China, and promoted the effective use of resources; For e-commerce, it has obtained sufficient financial support and has an important role in product promotion. Crowdfunding financing platforms have played a good role in promoting the development of agriculture and e-commerce. However, after all, these domestic projects only provided financial support for the development of existing industries, and they did not contribute to innovation and entrepreneurship and the development of the entire society.

The last difference is the exploration of the profit model. Foreign crowdfunding websites all charge about 5% of the financing project fund as a commission. In contrast, most of China's crowdfunding financing platforms are free and supported by the Internet environment. Domestic crowdfunding financing platforms also explore different profit models, such as entertainment related derivatives, entertainment peripherals, innovation, and entrepreneurship. It can provide entrepreneurs with high-quality resources and services, supporting solutions, entrepreneurship incubators for entrepreneurs.

#### **4. Problems in crowdfunding development**

Chinese crowdfunding has achieved many achievements. However, domestic crowdfunding is still in its infancy. The crowdfunding market is still relatively young, and the relevant laws and regulations and the corresponding infrastructure construction are still not perfect. At present, the development of Chinese crowdfunding financing has several problems.

The purpose of crowdfunding is to obtain funds to ensure the continuity of production and create more products. The uncertainty of production determines the uncertainty of income. It is not that as long as the capital is invested, there will be the harvest of physical products. The difference between this input and output leads to the uncertainty of financing risk, and, in some industries, the payback period is relatively long. For example, in the cultural media industry, creating an animation in "The Return of the Great Saint" has gone through for eight years. At the same time, the return of this cultural and creative project is more dependent on the market's response, and Not all good products can get good returns. After all, sometimes consumer preferences are complicated to grasp, which creates uncertainty about financing risks.

Crowdfunding has developed rapidly in China in recent years. The government has also provided many policies and financial support, such as lowering the financing threshold, government funding, and lowering the loan tax rate. A series of measures support the development of the crowdfunding industry. However, most industries' current

financing scale in China is still far less than financing needs, especially for small and medium-sized enterprises. Financing is even more difficult. For crowdfunding, the investors are mainly the friends of the producer and the producer's resources. It is not the actual use of the internet for project display and the investment obtained after the investor's favour.

As far as the cultural industry is concerned, it has its uniqueness, mainly expressed in the ideological attributes of different cultures. Culture can influence commercial activities. The cultural media industry has the dual attributes of culture and economy. Its cultural attributes are easily guided by national policies, which are more restricted than its economic attributes. Therefore, it is not easy to put aside cultural attributes to talk about economic attributes as a cultural industry. Besides, the cultural media industry is subject to more restrictions on policies, and it is challenging to collect social capital and foreign capital. It is hard to be recognised by a country and participate in the operation of the foreign cultural media industry, especially in countries with different ideologies resulting in many restrictions on financing channels and policies in the cultural media industry.

China's agricultural crowdfunding is still in its infancy, and the concept of relevant personnel is still relatively conservative and not updated. As investors, most of them are middle-aged people, and they lag in accepting innovation. Otherwise, the problem of concepts will not fundamentally change, let alone agricultural crowdfunding. Also, there is a lack of professional talents in crowdfunding in related industries. Most of the investors are financial talents, and different industries have their particularities and lack of investment activities such as investment evaluation of their industry-related expertise.

The related construction of crowdfunding financing mainly includes constructing platforms and laws and regulations (Lam & Law, 2016; Zhao, Harris, & Lam, 2019). Most of the current crowdfunding platforms have the drawback of an inadequate accountability system. Entering real information for investors and fundraisers, but the corresponding accountability system is not perfect, resulting in untrustworthiness. The more serious the untrustworthiness, the fewer people who participate in crowdfunding. If there are fewer investors, the threshold of the platform will be lowered, and lowering the threshold will further aggravate the actual situation. Such a cycle will eventually lead to the collapse of the entire platform. Therefore, the construction of the accountability system of the crowdfunding platform is essential. However, most crowdfunding financing platforms provide a brief introduction to investors and financiers, lacking a detailed introduction to the two sides of the financing and investment and not establishing an effective two-way communication for both parties.

The development of the financial industry in China is mainly established for traditional industries with many fixed assets. However, the products of the cultural media industry have mainly focused on intangible assets. In contrast, the financial industry has not yet formed a scientific and effective asset evaluation system for intangible assets. As far as banks are concerned, it is impossible to mortgage or pledge the cultural industry products, which has made it difficult for the cultural industry to obtain asset mortgage loans. It also brings certain difficulties to crowdfunding and financing. The unique attributes of cultural media industry assets bring considerable difficulties to crowdfunding. For example, "The Return of the Great Saint" television animation has experienced eight years of tortuous production and is undoubtedly successful, whether for the film or the financing model. The crowdfunding process of "The Return of the Great Saint" is relatively "simple". The financing process is not carried out on the platform for public investors, but only the movie producer released the news in the circle of friends.

Information asymmetry mainly means that the information held by both sides of the financial investment cannot be effectively confirmed. To avoid risks, third parties often declare in advance that they will not bear the risks in the investment process, which will easily lead to mutual distrust between the financial investment and the financing project. It cannot be carried out on a large scale, and once fraud occurs during the investment process, it will cause a fatal blow to the financing project.

## 5. Recommendations and suggestions

Crowdfunding financing platforms undertake to finance and bear the responsibility of reviewing, evaluating, checking, servicing, following up and supervising financing projects. Crowdfunding platforms should establish a complete qualification review mechanism and raise the threshold for entry. Simultaneously, qualification review, credit rating and other work are carried out on the financing sponsors to minimise the risk of the project. Besides, in project selection, conduct sufficient market research before the project goes online because the project's income depends to a certain extent on the market's response. Hence, it is necessary to fully take the attitude of different groups of consumers towards the project before the project goes online to ensure that the project has a good market response. At the same time, strengthen the cooperation of crowdfunding platforms with financial regulatory agencies and public security departments to ensure that the crowdfunding platforms and the projects that initiate crowdfunding are legally compliant within the scope of operations. Adopt the "leading investment + follow-up investment" model, introduce professional talents to act as fund lead investors, bear higher project risks, bear part of the risks for project follow-up investors, and resolve project follow-up investors' lack of professional knowledge and understanding of the project risks.

The government can provide corresponding support for crowdfunding through policies and finances and actively guide private capital to conduct crowdfunding to promote the healthy development of the Internet financial industry while preventing and strengthening intellectual property rights and creating a good investment environment. Relevant departments Supporting laws and regulations should be issued as soon as possible to provide corresponding guarantees for regulating crowdfunding market behaviour. The government can also promote the expansion of financing scale through measures such as lowering the tax rate of investment financing and lowering the barriers to entry. However, it must be ensured through strong supervision to ensure the quality of financing investment and do a good job of identification. Of course, the small financing scale is mainly because investors are unwilling to invest in internet finance. The main reason for this is that there is no stable and predictable return. With policy support, more investors can see the country's development of Internet finance. Determined, naturally, more and more investors are willing to invest, and if there are more investors, the financing scale will naturally become more extensive.

Internet investment itself has the characteristics of openness and low cost. Its primary function is to expand the crowdfunding financing channel from offline to online. All Internet users can participate in Internet investment and also play a specific publicity job. Besides, online crowdfunding investment has also lowered the investment threshold and expanded the scope of investor participation, which can also play an essential role in promoting "points to lines, lines to areas". The government can provide corresponding support to crowdfunding through policies and finances and actively guide private capital to flow into traditional industries through crowdfunding to promote the healthy development of traditional industries while preventing and strengthening intellectual property rights and creating good investment.

Regarding the environment, relevant departments should issue supporting laws and regulations as soon as possible to provide corresponding protection for regulating crowdfunding market behaviour. The government can also promote the expansion of the financing scale of different industries through measures such as lowering the tax rate of investment financing and lowering the entry threshold for investment. However, it must be ensured through strong supervision to ensure the quality of financing investment and do a good job of identification. Of course, the small financing scale is mainly because investors are unwilling to invest through online crowdfunding. The main reason for this is that there is no stable and predictable return. With policy support, more investors can see the determination of the country to develop crowdfunding and financing is naturally that

more and more investors are willing to make investments. With more investors and wider financing channels, the scale of financing naturally becomes larger.

The cultivation of professional talents serves the development of crowdfunding and promotes the publicity of project crowdfunding to understand Internet finance and participate in crowdfunding. Related talents can be cultivated through the establishment of related majors in universities and related training by enterprises.

Internet finance is an emerging financial industry model. The development of various aspects is uneven and imperfect, and the service level still needs to be improved. Therefore, the country needs to issue corresponding laws and regulations to support its subsequent development as soon as possible. Besides, the state needs to improve its corresponding infrastructure construction, especially the supervision of crowdfunding platforms is still blank, which requires the state and relevant government departments to supervise it, improve its construction, and make the construction of crowdfunding platforms “legal You can rely on it, you must follow the law.”

China has formulated the “Guiding Opinions on the Evaluation of Intangible Assets of Cultural Enterprises” and officially put it into effect on July 1, 2016. This is the first evaluation standard formulated by China for specific assets of specific enterprise types (Lin, 2018; Zeng, Hu, & Su, 2016). Important positive significance. Although the concept of intangible assets is relatively broad, its specific content is straightforward, including copyright, patent rights, proprietary technology, exclusive trademark rights, sales network, customer relations, franchise rights, contract rights, domain names, and goodwill. The construction of the evaluation index system and method system of cultural enterprises’ intangible assets requires system design on the three levels of asset confirmation, authenticity, and price confirmation. However, it must be based on an effective copyright system. One of the important reasons why the cultural industry in the United States develops well is that copyright protection is good, which guarantees a continuous flow of creativity and supports the long-term and effective development of cultural enterprises. The establishment of a copyright system is to encourage the development of creativity, and it is a necessary guarantee for asset accumulation while the construction of the system is a long-term process. Whether the assessment results can withstand the market test is a process of gradual adaptation and standardisation. It has a long way to go and requires us to continue to advance in the exploration.

As an intermediary institution, a crowdfunding platform must inevitably assume specific responsibilities in financing investment. Relevant associations or countries should restrict third-party crowdfunding financing platforms in the form of industry norms and laws, and regulations. The crowdfunding financing platform should also establish a corresponding credit supervision mechanism to effectively supervise the projects that are crowdfunded through third-party platforms and conduct relevant credit investigations on the projects and sponsors to effectively reduce the risks caused by the breach of contract.

## 6. Conclusion

“Internet +Finance” is building a brand-new financing model. Crowdfunding financing has effectively solved many shortcomings of traditional financing models, and lowered the financing threshold and expanded the financing scale. This typical digital inclusive financial format effectively breaks through geospatial constraints and gathers more comprehensive social resources. Besides, crowdfunding financing makes the project’s operation more transparent and promotes the project’s healthy development or enterprise. China is a country with a complete range of industries, and the development of these industries is inseparable from the support of funds. Therefore, crowdfunding development is of great significance to the healthy development of all walks of life in China. However, China’s crowdfunding is still in its infancy, and its development is uneven and imperfect. Crowdfunding has many risks, such as operational risks, legal risks, and information asymmetry risks. Credit risk has severely damaged the credibility of

online public welfare crowdfunding financing, and the scope of influence is constantly expanding. Therefore, specific support from national policies and finances, improvement of relevant laws and infrastructure construction and industry self-discipline, and effective third-party supervision are needed.

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