



Current Situation and Future Development Analysis of Online Crowdfunding

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Abstract. Although online crowdfunding has many advantages, it has also exposed numerous drawbacks during its development. Firstly, it involves various risks. Secondly, it can harm public donation sentiments, deprive genuine seekers of assistance rights, and undermine the atmosphere of public welfare and charity. Moreover, there are issues of adverse selection, moral risks, and deceptive practices. This article first introduces the origins of crowdfunding and the development of online crowdfunding, then examines its usage, future prospects, and potential problems. Using a survey questionnaire, it investigates the basic profiles of online crowdfunding users, provides descriptive analysis on the current state of internet finance, and explores the usage and existing issues of online crowdfunding. Additionally, regression analysis is conducted to explore public opinions on internet financing. Lastly, an analysis of the current state of online crowdfunding is presented, highlighting its major methods and implementation challenges. The results indicate that online crowdfunding is widely used with a diverse audience; however, urgent solutions are needed for the identified issues.

Keywords: Internet finance, traditional finance, online crowdfunding

1 Introduction

Jiang Zhu started listing company equity on their Taobao store, and netizens raised 800,000 yuan. However, the China Securities Regulatory Commission (CSRC) declared the fundraising activity non-compliant, and Meiwai Media fully refunded the investors. Later, Jiang Zhu crowdfunded 3.87 million yuan on their Taobao store, and the CSRC initiated an investigation. This news highlights the feasibility of financing, as it allows raising more funds for business development from a broader audience in a shorter time. However, it also reveals the difficulty individual enterprises face in fundraising in China, which hampers their development. The slow development of internet finance in China is attributed to its financial system.

Online fundraising enables resource allocation on a larger scale. With publicly available fund supply and demand information and the elimination of intermediaries, investors and businesses have expanded choices. It also has lower credit risks. As technology advances, big data is integrated into online fundraising, ensuring almost no hidden operations and lower financing risks. Online crowdfunding also offers higher transparency. For example, platforms like Waterdrop Crowdfunding conduct qualification verification during the process, preventing deception and facilitating public scrutiny and supervision. It showcases fund sources and uses, creating a safer fundraising environment.

However, online fundraising carries certain risks. There are significant cybersecurity risks due to China's prominent internet security issues, especially related to online financial crimes. Any hacker attack can disrupt the normal operation of online fundraising, jeopardizing investor funds and business credibility. Lastly, there is a high credit risk associated with online fundraising, primarily stemming from the incomplete credit system in China and the lack of supporting laws for internet finance. The low cost of default in internet finance, exemplified by early-stage P2P lending platforms with low entry barriers and lax regulation, has led to risks like fraudulent loans and absconding with funds. Therefore, the government needs to strengthen management of the online fundraising environment, create a favorable fundraising environment, and reduce credit risks.

Further research is needed on the application of online fundraising in small and medium-sized enterprises. Analyzing its benefits and potential issues from multiple perspectives, including policies, technology, and concepts, can enhance the understanding of online fundraising. Strengthening credit building for small and

medium-sized enterprises, raising awareness of online fundraising, ensuring stable information security measures, and helping businesses understand online fundraising will facilitate its positive impact while mitigating risks and minimizing losses.

2 Literature review

2.1 Online Finance

At present, the study of Internet finance can be done from the following aspects. First of all, Internet financial management, Tencent Financial Communication, the National Finance and Development Laboratory research group (2019) Internet financial product investors questionnaire survey showed that China's Internet financial product market still have more room for development [1]. Zhang (2017) took the Industrial and Commercial Bank of China as an example and studied the Internet financial products dominated by Yu 'e Bao with a combination of theoretical analysis and empirical test [2]. In the short term, Internet financial products had a negative impact on the financial services of commercial banks, but in the long run, Internet financial products could promote the development of financial services of commercial banks. Secondly, in Internet payment, Li and Zhang (2015) pointed out that third-party Internet payment could increase the speed of currency circulation at all levels [3]. Miao (2014) believed that we should pay attention to the business essence of Internet payment institutions and carry out functional supervision and risk supervision [4]. In Internet insurance, Lu (2014) pointed out that the relatively small scale of Internet insurance in China is still lagging, which is related to the characteristics of the insurance industry and the innovation ability of insurance companies according to insurance regulations [5]. Finally, the Middle Period of Internet Credit Information (2021) pointed out the need to strengthen the supervision mechanism of Internet insurance, focus on product and service innovation, and establish a hybrid talent reserve to promote the healthy development of China's Internet insurance industry [6]. Li (2015) pointed out that actively exploring the regulation of personal information privacy protection is the key to bridge the potential risks of Internet credit investigation and achieve steady and orderly development [7]. Du (2014) pointed out that compared with the reform and development of financial formats, the potential risks and regulatory problems brought by the obvious lag in the

reform and development of China's credit information system should not be ignored [8].

2.2 History of Online Crowdfunding

The form of crowdfunding has changed in different ways over time. As for traditional crowdfunding, Na (2014) pointed out that under traditional financing methods, due to the influence of smes' (small and medium-size enterprise) own strength, internal financing is insufficient and indirect financing is difficult to obtain [9]. Affected by the imperfect capital market, the threshold of direct financing channels for smes is too high. Therefore, traditional financing methods cannot meet the financing needs of smes. Chen (2015) pointed out that due to the weak development strength of smes, the disadvantages of the existing financial system and the limitation of other financing methods, most smes can only rely on internal funds to expand production, and even rely on private borrowing and financing with high cost in emergency situations, and the financing difficulty of smes has always been the bottleneck of their development and growth [10].

With the development of Internet technology, traditional crowdfunding began to integrate online, giving full play to the advantages of online crowdfunding. Guo (2017) pointed out that Internet crowdfunding breaks the restrictions of traditional financing channels, improves the efficiency of investment and financing, and is greatly conducive to the development of the capital market [11]. Xie (2015) pointed out that under the catalyst of Internet information technology, crowdfunding combined with online social media, fan economy and long-tail concept resulted in changes in the structure of product, business and even social supply and demand, and truly realized the unity of social financing and social business [12]. Lan (2014) pointed out that crowdfunding can promote the development of innovative projects by giving them financing opportunities and can also change the way of innovation and increase the number of innovative projects by allocating funds to different innovation models [13].

2.3 Online Crowdfunding is Problematic

Although online crowdfunding has many advantages, it has also exposed many disadvantages during the development process. First of all, there are many risks. Yang

&Ma (2017) pointed out that online public charity crowdfunding is faced with platform credit risk, fund management risk and regulatory risk due to lagging legal supervision, imperfect relevant regulations, and immature operation model [14]. Secondly, it will harm the public's love for donations, deprive genuine seekers of the right to relief and destroy the atmosphere of public charity. Zhang and Hou (2019) took the "Luo Er incident" as an example and pointed out that the focus of legal legitimacy is to discuss the illegal nature of such an incident but ignores the broader constraints of social reason mechanism on it [15]. Then there will be the problems of adverse selection and moral hazard. Hu and Han (2021) pointed out the problems of adverse selection and moral hazard in product crowdfunding market caused by information asymmetry based on the text mining of JD crowdfunding project data and investor evaluation [16]. Finally, there will be cheating. Deng (2020) pointed out that in recent years, due to the lagging construction of the rule of law in online crowdfunding, the insufficient management ability of online crowdfunding platforms, and the difficulty of the public to identify personal help information, fraud and donation have occurred from time to time, which has overdrawn the trust of netizens and the public to a certain extent [17].

3 Analysis of Current Situation of Online Crowdfunding

Internet crowdfunding refers to the mode of financing diversified projects or ideas through Internet channels outside the traditional capital market, and project sponsors publish their ideas to investors through the Internet, and raise funds in kind, services or equity as return.

3.1 Development of Internet Crowdfunding

There are four main types of Internet crowdfunding: donation crowdfunding, product crowdfunding, debt crowdfunding and equity crowdfunding. Donation crowdfunding is characterized by public welfare, with no return or only souvenirs. Among them, including Tencent public welfare, Alipay love donation and water drop chip. In the past five years since its launch, Water Drop has successfully helped more than 2.2 million families with serious diseases raise scarce medical assistance funds, and the cumulative fundraising total has exceeded 45.7 billion yuan as of the third quarter of 2021. In 2021, the platform's total annual fundraising exceeded 10 billion yuan for the

fourth consecutive year. These are mainly through online donation platforms where people in need apply by themselves or others, they then do due diligence, confirm the situation, and initiate projects from the Internet, thus raising money from the public. Product crowdfunding is characterized by a project offering products or services in return. The main cases are calf electric car N1, happy male voice theme movie, Jingdong crowdfunding and so on. Debt crowdfunding is characterized by the need to repay the principal and interest as agreed. There are two types of debt crowdfunding. One is a P2P lending platform where more than one investor invests in the project on the Renren loan website, obtains debt according to the proportion of investment, and gets interest income and returns the principal in the future. There are mainly PPDai, Renren loan, favorable network, and other platforms. The other is P2B-11 corporate bonds (business-to-business loans). Equity crowdfunding is characterized by the project's equity or asset income rights as a return. One example is the crowdfunding platform Tou Pay.

3.2 Problems with Crowdfunding

The problem with donation crowdfunding is that distrust among Chinese people will greatly increase the cost of reviewing each project, and the legal framework is still incomplete, and the laws and regulations for individuals and companies to solicit donations from the public vary from province to city.

Product crowdfunding problems usually manifest in the form of delayed delivery, poor product quality, inability to get returns, and inability to keep up with after-sales service.

The problem of debt crowdfunding is that China's financial supervision is too strict, the survival space of private finance is small, the threshold of traditional banks is high, the vast majority of small, medium and micro enterprises in China are rejected, and the financing needs of enterprises cannot be met. Information disclosure is not comprehensive, risk control mechanism is not perfect.

The first problem of equity-based crowdfunding is that its post-investment management and exit mechanism is not perfect; the second problem is that the "lead investment + follow investment" system increases the difficulty of risk control; the second problem is the existing problem of equity-based crowdfunding platform. First, the number of platforms is large, and the development is "polarized". Second, the background level of the platform founder is mixed, in addition, individuals as the

platform founder of the website, easy to carry out false advertising and product speculation, in the absence of legal permission, the opening of various financial businesses, the project cannot carry out adequate information disclosure and risk disclosure, to investors in a direct or indirect way to promise returns, misleading users.

4 Questionnaire Design and Data Analysis

4.1 Analysis of the Basic Characteristics of the Interviewee

Table 1. Analysis of the basic characteristics of the interviewee

Item	classification	frequency	percentage(%)
gender	male	27	62.8
	female	16	37.2
age	Below 18	0	0
	18-25	19	44.2
	26-30	8	18.6
	31-40	8	18.6
	41-50	4	9.3
	51-60	3	7.0
	Above 60	1	2.3
income	Below 5000	14	32.6
	5000-10000	24	55.8
	10000-15000	1	2.3
	15000-20000	2	4.7
	20000-25000	1	2.3
	Above 2500	1	2.3
education background	junior high school	3	7.0
	junior high school	12	27.9
	undergraduate	28	65.1
	postgraduate	0	0
	doctor	0	0
province	North China	22	51.2
	Northeast China	2	4.7

Southwest China	2	4.7
Southern China	13	30.2
Northwest China	4	9.3

4.2 Descriptive Analysis

4.2.1 Descriptive Analysis of Respondents' Internet.

According to the analysis of the data collected by the questionnaire in this paper, it can be seen that people's understanding of the functions of Internet finance is mainly reflected in the extension of banking business on the Internet and the online financial services of third-party Internet companies. 27 people choose this option, accounting for 62.79%. The number of people who choose to use online banking and Alipay to shop online and provide financial services in the form of Internet, including payment, transfer, lending and financial management, is 23 and 22 respectively, accounting for 53.49% and 51.16% respectively. Not only do people have a certain understanding of the functions of Internet finance, but they also have a certain understanding of the corresponding products, especially the Internet finance products through Alipay. Among the data collected in this study, 31 people choose Alipay, accounting for 72.09%, which is a relatively high proportion. The usage of Yu 'e Bao is also relatively high, with 19 people, accounting for 44.19%. However, the number of users of demand treasure, Baifa financial management and P2P financial management is relatively small, which are 16, 7 and 12, accounting for 37.21%, 16.28% and 27.91% respectively. We believe that the advantages of Internet finance are relatively concentrated, to be able to take at any time, can buy goods at any time, convenience, respectively reached 25.58%, 25.58%, 39.53%. However, relatively few people chose the option of high return, only four people chose.

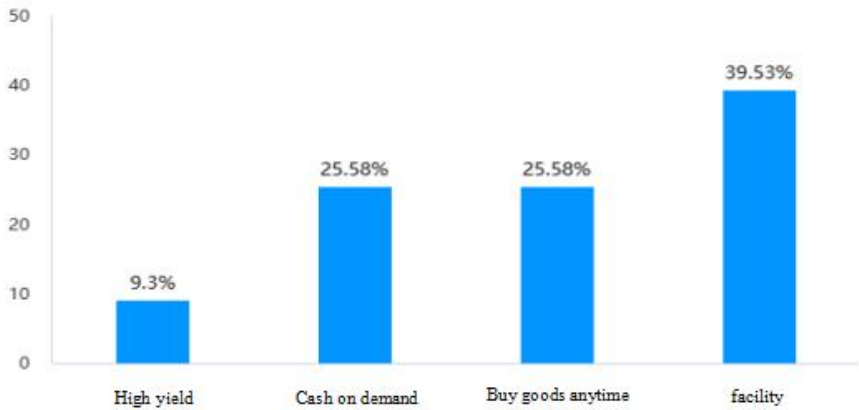


Fig. 1. Advantages of Internet finance

The reason why most people have not bought Internet financial products is mainly due to ignorance. Therefore, in the future, Internet financial companies can strengthen the publicity of Internet financial products, so that more people will be interested in Internet financial products. Especially for the risks of Internet finance, there must be certain protection, so that consumers have more sense of security, because in the voting process, most people are more worried about more and more criminals using the Internet to commit financial crimes, at the same time, Internet technology is not developed enough, network computer operation is complex, prone to error, the Internet itself is relatively virtual. The proportion of these items is also relatively high, and the specific data are shown in the following figure.

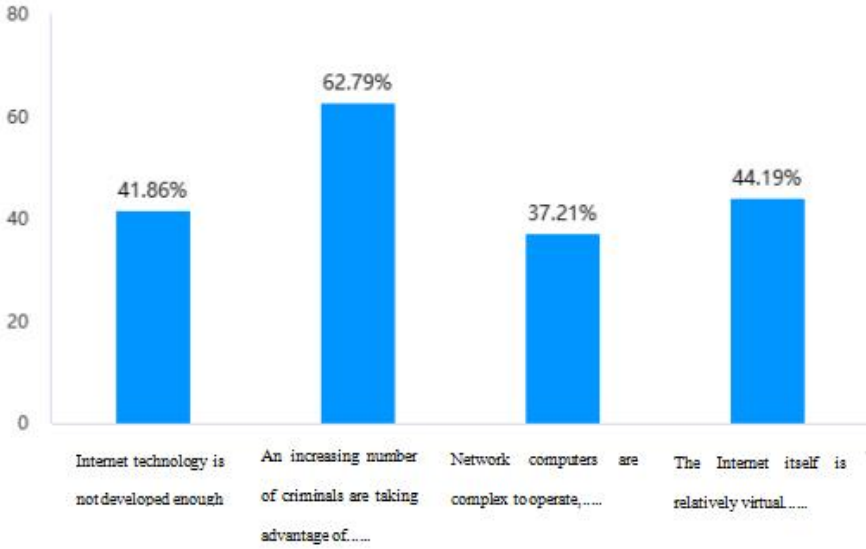


Fig. 2. Risks of Internet finance

4.2.2 Descriptive analysis of online crowdfunding for respondents.

According to the analysis of the data collected by the questionnaire in this paper, it can be seen that people have different choices for the use of online crowdfunding. The majority of people who do not choose crowdfunding to buy their favorite goods in advance and who hold a wait-and-see attitude in the early stage are 14 people, accounting for 32.56%. Depending on the situation, you can try and find the way very interesting, and the proportion of people who want to buy is 7 and 8, respectively, accounting for 16.28% and 18.6%.

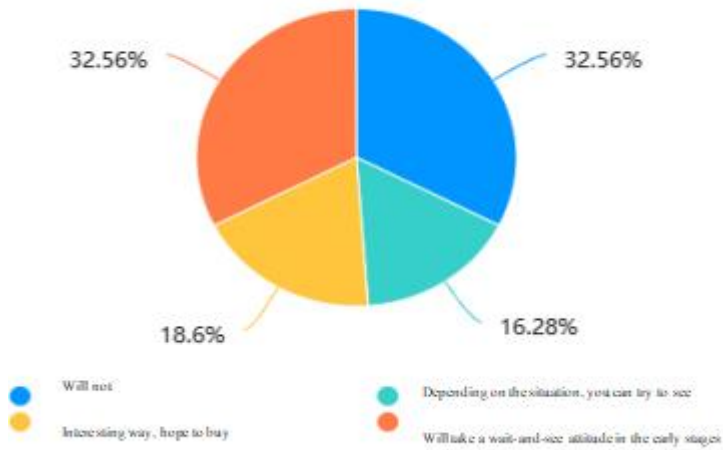


Fig. 3. The use of online crowdfunding

Among the data collected in this study, the acceptable waiting time for people to choose crowdfunding to buy their favorite goods in advance is mostly concentrated in one week, two weeks to three weeks and one month, with 11, 12 and 12 people respectively, accounting for 25.58%, 27.91% and 27.91% respectively. A small number of people can wait for one to two months and more than two months, by 5 and 3 people, accounting for 11.63% and 6.98%, respectively. People's views on funding some dreamers who have ideas but have no funds are relatively concentrated, 21 people need to judge whether they should be funded according to the situation, accounting for 48.84%, the remaining 10 people are willing to fund, 12 people are unwilling to fund, accounting for 23.26% and 27.91% respectively.

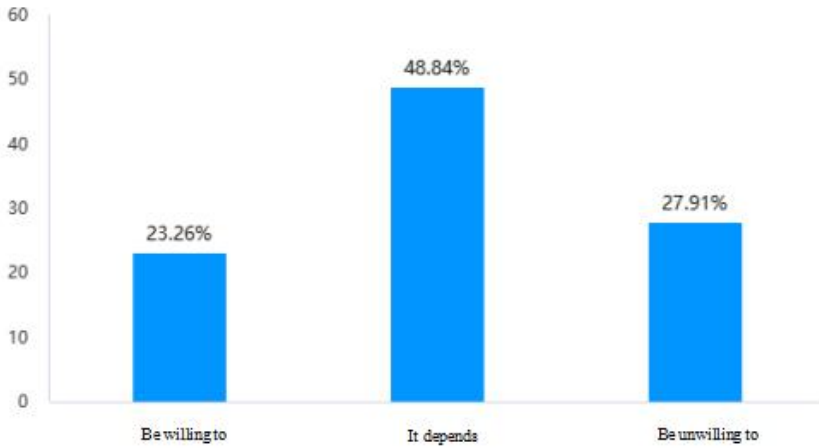


Fig. 4. Would you like to fund

Most people have a positive attitude towards sharing good ideas online with everyone so as to get everyone's support and complete their own creativity, with 24 people, accounting for 55.81%, and the remaining 19 people have a negative view, accounting for 44.19%. In the data collected in this study, no one expressed opinions and suggestions on the shortcomings of crowdfunding.

4.2.3 Differences between online crowdfunding and traditional crowdfunding.

Table 2. Differences between online crowdfunding and traditional crowdfunding

	N	Be	num	N	It	Mean	Be
Online crowdfunding has lower credit risk	43		1		5	3.98	

Online crowdfunding can allocate resources on a larger scale	43	1	5	4.28
Online crowdfunding offers greater transparency	43	1	5	4.12
Online crowdfunding is faster	43	1	5	4

In the whole selection process, the average score of the difference between online crowdfunding and traditional crowdfunding is relatively high, that is to say, people are relatively acceptable to online crowdfunding, among which the average score of online crowdfunding is 4 or above, which can allocate resources in a wider range, have higher transparency, and have faster crowdfunding speed. The relatively low score is the lower credit risk of online crowdfunding, which is also the main problem of online crowdfunding at present, with a score of 3.98. Although it is relatively low, it is also a high score, indicating that online crowdfunding has also been recognized by most people.

4.2.4 Future development of online crowdfunding.

Table 3. Future development of online crowdfunding

	N	Minimum	Maximum	Mean
To what extent will online crowdfunding be used in the future	43	1	5	4.05
Whether online crowdfunding will help you in some way	43	1	5	4.07
Will you share your online crowdfunding experience with those around you	43	1	5	3.86
Do you share information about online crowdfunding on social media	43	1	5	3.79

In the whole selection process, the score of the development of online crowdfunding in the future is also high, that is to say, people's acceptance of online crowdfunding in the future will gradually increase, and the average score of how much online crowdfunding will be used in the future and whether online crowdfunding will be helpful to you to some extent is 4 or above. On the lower end of the scale are whether you share your online crowdfunding experience with people around you and whether you share information about online crowdfunding on social media (3.86 and 3.79, respectively). Although it is relatively low, it is also a high score, which indicates that in the future, online crowdfunding will be more common and more acceptable.

4.3 Regression Test

Y	X	Regression test
If you have not purchased Internet financial products, what is the main reason?	Age bracket	-0.05
	Income	-0.07
	Education background	0.01

Age and income have a slight negative impact on the purchase of Internet financial products, and education has a positive impact on the purchase of Internet financial products. For young people, it is easier to accept the emergence of new products, especially financial products, mainly because financial products will have a certain risk, and older people or the elderly can accept relatively few people. For most people with low income, due to the low threshold of Internet finance, many people will deposit their balance in Yu 'e Bao or buy some online financial products, while all those who have more funds are more inclined to buy some large-scale financial products or stock speculation offline. Finally, with the increase of academic qualifications, people's acceptance of Internet finance will become higher and higher, so the number of users will increase.

Y	X	Regression test
Would you accept crowdfunding as a way to buy your favorite items in advance?	Age bracket	0.12
	Income	0.16
	Education background	-0.72

Age and income have a moderate positive impact on the use of crowdfunding to buy goods in advance, while education has a significant negative impact on the use of crowdfunding to buy goods in advance. For crowdfunding, young people are more

inclined to direct consumption, while older people will choose to buy their favorite goods through crowdfunding. Secondly, people with higher income are more accepting of using online crowdfunding to buy goods, because the higher the income, the greater the ability to bear the risks of Internet finance. The more educated people are, the more they want to make a deal directly when buying their favorite goods, rather than choose the way of crowdfunding. Buying goods through crowdfunding will have lower prices and greater incentives, but at the same time, people need to take greater risks.

5 Conclusions

Based on the above research, it can be seen that Internet finance has great advantages, such as convenience, purchase and cash withdrawal at any time. At the same time, most people are also worried about the risks of Internet finance. Generally speaking, most people use and show optimistic attitudes towards Internet finance, and are willing to buy goods through online crowdfunding, but the precondition is that its risks need to be controlled to a certain extent. Therefore, through the process of investigation, it can be seen that Internet finance and online crowdfunding have a certain impact on different ages, incomes and educational qualifications. In the process of analysis, risks should be continuously reduced, and supervision should be strengthened.

Information technology will continue to develop in the future, and Internet finance and online crowdfunding will be the main forms of financial development in the future. For online finance, there may be many problems in regulation, and at the same time, there will be a lot of risk avoidance. Therefore, for online finance, it is necessary to strengthen supervision and strengthen cooperation among various departments. The form of online crowdfunding should be standardized continuously, and the application of real-name system should be strengthened. In addition to basic information such as name, some other personal information and circumstances can be added to increase credibility.

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