

Study on the Information Disclosure System of Public Interest Crowdfunding for Non-Profit Organizations

Zhaohui Chu*, Jun He

School of accounting, Anhui University of Finance and Economics, Bengbu 233000, China

Abstract

The public interest crowdfunding industry has only been in China for a short period of time, and its operation and supervision are still immature. A variety of information disclosure problems, such as low information transparency, unstandardized disclosure content, and unreasonable forms of information disclosure, have plunged the development of the public welfare crowdfunding industry into chaos. Unstandardized information disclosure limits the sustainable development of the industry, and it is urgent to improve the platform information disclosure system to enhance the credibility of the platform from the legislative and executive levels, and to construct a reasonable information disclosure system through in-depth analysis of the deficiencies of the existing system, so as to provide a reference for the standardized construction of information disclosure of public welfare crowdfunding for non-profit organizations in China.

Keywords

Nonprofit Organizations; Public Interest Crowdfunding; Information Disclosure.

1. Introduction

In 2021, the Ministry of Civil Affairs of the Central People's Government of the People's Republic of China issued the "14th Five-Year Plan for the Development of Social Organizations", which emphasized that the main tasks of the 14th Five-Year Plan for Social Organizations include improving the legal system for social organizations and improving the supervisory system of social organizations, which fully demonstrates the importance that the Chinese government attaches to the standardized development of social organizations such as civic non-profit organizations. Non-profit organizations as the main institutions to carry out the third distribution, in the poverty alleviation and reduce the social gap between rich and poor for the government departments to share a lot of pressure[1], public welfare crowdfunding as a new industry in recent years, the rapid development of the domestic. Combined with the Internet industry, China's "Internet + public welfare crowdfunding" model has been formed. So far, many crowdfunding websites and platforms have appeared in China, and in 2018, the Ministry of Civil Affairs designated 11 Internet public information fundraising platforms to provide a platform for non-profit organizations to make fundraising information public. The development of public welfare crowdfunding has achieved good results so far, but there have also been many scandals. The frequent occurrence of social events such as the "Water Drop Fundraising Building Sweeping Incident" and "Misappropriation of Public Welfare Funds" has made the public begin to pay attention to the regulation of the public welfare crowdfunding industry. The root cause of the chaos in the industry is ineffective supervision and insufficient industry self-discipline, and how to standardize the regulation of the public welfare crowdfunding industry is a social problem that is in urgent need of solution. From the perspective of information disclosure system, we expose the problems of the current industry development, and put forward targeted measures for the existing problems, enrich the theoretical research on the regulatory level of non-profit organizations, and provide references

for the construction of information disclosure system of China's public welfare crowdfunding industry.

2. The Current Status of Information Disclosure in China's Public Interest Crowdfunding

Table 1. Crowdfunding platform designated by the Ministry of Civil Affairs

	Platform name	Operating entity	Whether it is a foundation or other charitable organization
1	Tencent Public Welfare	Tencent Charity Foundation	√
2	Alibaba Public Welfare	Zhejiang Taobao Network Co.	
3	Alipay Public Welfare	Zhejiang Ant Microfinance Service Group Co.	
4	Micro Public Welfare	Beijing Weimengkechuang Network Technology Co.	
5	Jingdong Public Welfare	NetBank Online (Beijing) Technology Co.	
6	Baidu Public Welfare	Baidu Online Network Technology (Beijing) Co.	
7	Public Welfare Treasure Platform	Beijing Houpu Juyi Technology Co.	
8	Xinhua Public Welfare	Xinhua News Network Co.	
9	Easy Public Welfare	Beijing Easy Fundraising Network Technology Co.	
10	Lian Advised Net	Shanghai United Way Foundation	√
11	Guangyi Joint Fundraising	Guangzhou Guangyi Joint Fundraising Development Center	
12	Meituan Public Welfare	Beijing Sanfu Cloud Computing Co.	
13	Didi Public Welfare	Beijing Xiaokang Technology Co.	
14	Boc Public Welfare	Beijing BOC Charity Foundation (Bank of China Head Office)	√
15	Finance e Purchase Public Welfare	Industrial and Commercial Bank of China Limited	
16	Water Droplets Public Welfare	Beijing Water Drop Mutual Insurance Technology Co.	
17	Suning Public Welfare	Jiangsu Suning E-commerce electronic morning Co.	
18	Help Public Welfare	China Siyuan Engineering Poverty Alleviation Foundation	√
19	Yibao Public Welfare	Yibao Pay Co., Ltd	
20	China Social Poverty Alleviation Network	Social Poverty Alleviation Network Technology Co. (under the guidance of the State Council Poverty Alleviation Office)	
21	Bytedance Public Welfare	Beijing ByteDance Technology Co.	
22	Xiaomi Public Welfare	Xiaomi Technology LLC	
23	Pro-Youth Charity	China Youth Development Foundation (CYDF)	√
24	Bilibili Public Welfare	Shanghai Kuan Yu Digital Technology Co.	
25	Pingan Public Welfare	Shenzhen Ping An Public Welfare Foundation	√
26	360 Public Welfare	Beijing Qibao Xin'an Technology Co.	
27	China Mobile Public Welfare	CMO Online Services Ltd.	
28	Mango Public Welfare	Hunan Happy Sunshine Interactive Entertainment Media Co.	
29	Charity Chain Public Welfare	Federation of Charitable Organizations of Shunde District, Foshan City	√
30	Ctrip Public Welfare	Shanghai Ctrip Business Co.	

China's existing charitable information public fundraising platforms related to the operation of the main body and the nature of the main body as shown in Table 1, in addition to the BOC Public Welfare, China Social Poverty Alleviation Network and Rongeshop Public Welfare, the

rest of the platforms are either operated by the Internet technology giant company as the main body, or by the company's establishment of charitable foundations or charitable organizations as the main body of the operation of the Internet platforms themselves have a strong traffic attribute, with the ability to publicize information on fundraising, raise These Internet platforms themselves have powerful traffic attributes, and have the traffic conditions to publicize fundraising information and raise funds for charity.

2.1. Insufficient Transparency of Information

The degree of disclosure of financial and non-financial information of the above charitable information disclosure platforms is not yet able to socially satisfy the needs of the public in exercising their right to supervision, and the information transparency of the public welfare crowdfunding platforms whose operating body is foundations and charitable organizations is higher than that of the platforms directly operated by Internet companies, but the degree of disclosure of information is still limited. For example, the operating body of the Tencent public welfare platform is the Tencent Public Welfare Charity Foundation, and in the information disclosure section of the foundation's official website, the work report is only to summarize the foundation's work for the corresponding year, not the annual data for the crowdfunding platform. In the annual work report, the public welfare platform is only listed as a project, and only discloses the annual total expenditure and large-scale details, and does not disclose specific details of the platform's relevant operations, and the relevant annual financial report is also only for the foundation's expenditure details rather than the public welfare platform. The transparency of the relevant financial data and the profit model of the public welfare platform program are not sufficiently publicized.

2.2. Substandard Disclosures

According to the "Basic Management Code for Internet Information Public Fundraising Platforms for Charitable Organizations", information disclosure platforms need to disclose the operation of the platform at least once every six months, but according to statistics, fewer platforms disclose the operation of their platforms openly to the public, and even platforms whose operating body is a non-profit organization have not strictly implemented the disclosure content required in the management code. In terms of fund management, the management specification requires platforms to prominently indicate the nature and standard of platform fees on the page, and if it is free of charge, it also needs to be labeled[2]. In addition, it is also necessary to indicate the fees charged by the platform for providing information disclosure channels to charitable organizations in the fund-raising platform of each project. In response to the content required to be disclosed under the above system, most of the public welfare platforms have failed to disclose the content in accordance with the norms.

2.3. Formal Disclosure is Not Standardized

The existing unified platform for the disclosure of fund-raising information is Charity China, but the platform only publicly approves charitable organizations with fund-raising qualifications, and does not involve the disclosure of information about public welfare crowdfunding platforms. There are also few public financial data on public welfare crowdfunding platforms. In particular, for crowdfunding platforms such as Easy Public Welfare, where the operating body is not a charitable foundation but an Internet technology company, neither the operating body itself nor the public welfare platform discloses financial information to the public, and there is no unified information disclosure channel or form, leading to a lack of public understanding of public welfare crowdfunding as a form of fundraising, and even limiting the exercise of social supervision.

3. Analysis of Information Disclosure Problems of Public Interest Crowdfunding in China

3.1. Lack of a Legal Guidance System

At this stage, there are more legal documents regulating information disclosure for non-profit organizations in China, with the release of the Social The Regulations on the Registration and Administration of Association Groups, the Regulations on the Administration of Foundations, the Charity Law, and the Accounting System for Private Non-profit Organizations provide legal and institutional constraints on the preparation of financial statements by non-profit organizations, but most of the public interest crowdfunding platforms, another major participant in public interest crowdfunding, do not belong to non-profit organizations by nature. Currently, there is no clear requirement for platform information disclosure in the existing laws. The inadequacy of laws and regulations is not only reflected in the lack of a standardized system, but also in the lack of clear rewards and punishments. Many public welfare crowdfunding platforms have not strictly followed the provisions of the system to disclose information, but have not received relevant administrative penalties and notification of criticism, and the weak constraints on public welfare platforms have nourished chaos in the industry.

3.2. Inadequate Internal and External Regulation

The implementation of internal supervision of public welfare crowdfunding is generally the main body of its operation, and in the case of Tencent Public Welfare, for example, the main body of the operation behind it is the Tencent Public Welfare Charity Foundation, which publishes fund-raising information and assumes supervisory responsibility in online crowdfunding. The charitable organization has a comprehensive department, technical department, communication department, management department, project department, platform department and finance department, and from the point of view of the main responsibilities, it is the management department that bears the supervision intelligence. Being the same secondary executive department, its supervisory strength is to be considered.

Table 2. Departments under Tencent Charity Foundation

Name of organization	Main responsibilities
Comprehensive department	Undertake the overall management and organizational coordination of the institution
Technical department	Undertake informationization and digital operation of the Foundation's office system
Ministry of Communication	Undertake information disclosure, idea dissemination and branding functions
Management Department	Guarantee that the organization operates legally, the project operates in compliance, and regulates risks
Project department	Undertake the implementation and management of the organization's public welfare projects
Financial department	Undertake organizational asset management, financial management and accounting functions
Platform Department	Product innovation, service innovation and technological innovation to safeguard platform operations

Source: Charity China.

The external regulators of public interest crowdfunding activities are the civil affairs department, the Internet information content management department and the

telecommunication authority, and from the point of view of the main government departments, their enforcement efforts are still insufficient. In the United States, the main body of government regulation of public interest crowdfunding is the Federal Tax Administration and state attorneys general, compared with which China's government regulation is weaker.

3.3. Untimely Disclosure and Single Form

The public pays high attention to crowdfunding and the dynamic process of fundraising, such as the flow of funds and project progress, should be disclosed even though. The information disclosure related to China's public welfare crowdfunding platform is generally lagging behind, and most platforms are still stuck in the process of a few years ago in the progress of the project details of most projects, and there are big problems with the openness and transparency of public welfare crowdfunding. Accounting disclosure itself is a costly process, and it is very difficult for non-profit organisations to disclose information about public welfare crowdfunding, while the current imperfections in information sharing and management platforms have further hindered the process of benign development of information disclosure [3].

4. Suggested Measures to Standardize the Construction of Public Interest Crowdfunding Information Disclosure in China

4.1. Strengthened Legislative Regimes and Robust Disclosure Requirements

Improving the legal system is the first step in building a standardized information disclosure, and the government should strengthen the requirements for information disclosure of nonprofit organizations, and the current items and contents of information disclosure of nonprofit organizations in China are shown in Table 3. Compared to the disclosure requirements of the UK and the US, China's information disclosure requirements are not yet sound, and thus the financial disclosure level of most charitable organizations' internal reports is relatively simple. There are no clear legal provisions on the transparency of the specific financial flows and the openness of the operation mode of crowdfunding platforms, and the relevant rewards and punishments have not been implemented, so the platforms operate with too much freedom. Requirements for disclosure of information on the operations of charitable activities should be strengthened, and incentives and penalties should be implemented to standardize the development of the industry [4].

Table 3. Information Disclosure Content Requirements for Non-Profit Organizations in China

Disclosure	Disclosure of items
balance sheet	Liabilities, net assets
Table of operational activities	Changes in net assets, revenues, expenses
cash flow statement	Cash flows from operating, financing and investing activities
Notes to the accounting statements	Explanation of matters such as donations of labor, contingencies, impairment of significant assets, significant items in the accounting statements, significant accounting policies and changes thereto, etc.

4.2. Improvement of Internal Structure and Use of Information Technology

The internal structure of non-profit organizations should be restructured and the authority of the department responsible for supervision should be elevated to enhance the strength and independence of internal supervision[5,6]. In addition, a more robust supervision and management system should be put in place to regulate the operation of the platform and the organization, and the regulated system should be disclosed to the society to enhance the

credibility of the platform. Regularly assess the functions of the organization's internal structure and make appropriate and timely adjustments based on the assessment results. In addition, the continuous development of technology in the new era has provided a problem-solving idea for solving the lagging problem of information disclosure, and non-profit organisations can reasonably use information technology to combine fundraising activities and financial accounting information disclosure, and set up the project operation process on the online system to reduce the cost of information disclosure and enhance the efficiency of information disclosure[7,8].

4.3. Introducing Supervision by All Parties and Making the Process Open and Transparent

On the one hand, enhance the strength of social supervision by improving the transparency of information and broadening public communication channels, and gradually improve the information disclosure system by listening to the opinions from all parties in society; on the other hand, strengthen the contact with the mass media, build bridges to enhance the influence of the emerging industry of public welfare crowdfunding, and urge the platforms and foundations to supervise the effective construction of the platforms and foundations with a higher degree of national attention[9]. Through the introduction of supervision by various parties, the process of information disclosure will be made open and transparent, the self-discipline of non-profit organisations will be urged, their awareness of voluntary information disclosure will be enhanced, and the transparency of information in the sector will be enhanced.

4.4. Introducing Systems and Norms to Enhance Regulatory Efficiency

Whether it is internal regulation or external supervision by the Government, enhancing the efficiency of regulation is the key. It is necessary to enhance the intensity of supervision and implement incentives and penalties to standardize the development of the industry. At the level of internal supervision, a supervision and management manual should be compiled and strictly implemented. With the help of information technology[10], build an internal integrated information system, improve the transparency of the flow of funds, implement the responsible person[11], and conduct regular self-inspection, so as to avoid the phenomenon of misappropriation of funds by the relevant management personnel[12]; at the level of external supervision, the government should implement the work of external assessment agencies to assess the degree of disclosure of public welfare crowdfunding platforms and foundations, check the implementation of the platform's self-checking, and enhance the strength of the assessment by means of two-pronged approach.

5. Conclusion

The development of philanthropy in China has an obvious gap compared with that of developed countries, which is reflected in various aspects such as legislation, supervision and organizational arrangements, etc. In order to achieve standardized operation, high information transparency is the key. Only by improving the information disclosure system and presenting more effective information to the outside world can we, on the one hand, arouse widespread public concern and enhance the strength of social supervision; on the other hand, encourage more cooperative research among scientific research institutions, and promote the construction of the information disclosure system from both academic and practical levels.

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