

Challenges And Integration of Digital Crowdfunding into The Traditional Charity Economic Structure

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Abstract. The rise of digital crowdfunding stems from the structural limitations of traditional philanthropy. By comparing the operation logic of the two, this study analyzes the breakthrough of digital crowdfunding to the traditional structure in resource mobilization, trust building and response speed. The study found that digital crowdfunding turned personal credit into fundraising power through social networks, activated long tail donation, and promoted the trust base from "institutional endorsement" to "technical confirmation". But it also brings moral hazard, resource mismatch and crowding out effect on systematic public welfare projects, posing challenges to the traditional ethical review and accountability mechanism. Traditional institutions are embedded in digital platforms to expand fundraising channels, and digital platforms introduce traditional audit standards to enhance credibility. The two sides have formed a collaboration at the levels of donation incentive, data sharing, and tracking audit to build a double trust closed loop of "technical transparency and professional evaluation". The conclusion shows that digital crowdfunding does not replace traditional charity, but promotes it to enter the stage of structural remodeling. Technology promotes efficiency and participation, and the system provides norms and sustainability. The two are complementary and symbiotic. This study provides theoretical support for the digital transformation of public welfare, and also provides policy reference for the construction of a modern charity system that takes into account efficiency, fairness and trust.

Keywords: Digital crowdfunding, traditional philanthropy, economic structure.

1. Introduction

The traditional charity model has long relied on the hierarchical operation of specific institutions. Although this model is highly professional, in practice, resource mobilization often shows the characteristics of a high access threshold, low donation frequency, and lagging information transmission. This structural restriction restricts the efficient flow of social charity resources to a certain extent. With the popularity of mobile payment and social media, digital crowdfunding, as a new economic structure, has been involved in the field of social distribution. It has successfully transformed philanthropy from a specific activity of a few elite groups into a "Twilight action" that the general public can participate in. This transformation has significantly improved the allocation efficiency of social fragmented resources, so that every small goodwill can accurately meet the needs. The intervention of digital technology has reshaped the interaction logic between the help giver, the donor, and the platform at the micro level. Through social networks, the transmission of trust is no longer only dependent on institutional endorsement but is more based on real-time interaction and transparent feedback. This new type of connection not only enhances the sense of participation of donors but also provides a faster and more flexible path of social support for donors. At present, the academic research on digital crowdfunding mostly focuses on its financing performance, user participation motivation, and the establishment of trust mechanisms. The existing achievements fully affirmed the positive role of Internet technology in reducing transaction costs and expanding the reach of fundraising. However, existing studies tend to regard digital crowdfunding as an isolated internet tool, and lack systematic discussion on how it profoundly impacts the economic structure of traditional philanthropy, as well as the deep game between the two at the levels of legal regulation, moral hazard prevention, and resource mismatch. The crowdfunding platform lacks a standardized peer review mechanism, which cannot ensure the ethical legitimacy and scientific rigor of the project. The public only determines the flow of funds based on subjective judgment, which may lead to the

funding of research with low value, questionable ethics, or lax methodology. Traditional charities usually have strict ethical review and project evaluation processes [1]. This kind of moral hazard not only threatens the trust foundation of donors, but also poses a challenge to the traditional charity accountability mechanism. However, the systematic analysis of this institutional conflict in the academic community is still insufficient. A Facebook fundraising experiment covering the whole country of Germany found that although online video fundraising significantly increased the donation income of specific charitable organizations, it also had a "crowding out effect" on similar charities or projects, indicating that digital crowdfunding does not necessarily expand the donation budget of individuals, but may lead to the redistribution of charitable resources among organizations, resulting in the efficiency loss of the overall charity department. This discovery reveals the deep impact of digital crowdfunding on the traditional charity economic structure. However, existing studies focus on the operation mechanism of crowdfunding platforms themselves and lack a full discussion of the resource competition relationship between crowdfunding platforms and traditional charity departments [2].

This paper aims to explore how digital crowdfunding challenges and integrates into the traditional charity economic system. By comparing and analyzing the operation logic of the two, this study deeply analyzes the specific path of the digital platform to deconstruct and rebuild the charity trust chain. At the same time, the article also pays attention to the moral risks associated with this process, as well as the potential threat posed by these risks to social credibility. This study attempts to expand the theoretical boundary of "platform economics" to the field of public welfare and construct a new interpretation framework for the social distribution theory in the digital age from an interdisciplinary perspective. This analysis helps researchers understand how technology changes the way resources are allocated and affects social equity and justice. The research conclusion can not only provide direction for the digital transformation of traditional public welfare institutions, but also provide an important decision-making basis for building an efficient, transparent, and sustainable modern charity ecosystem.

2. Characteristics and Limitations of the Traditional Charity Economic Structure

2.1. Organizational Characteristics

The core feature of the traditional charity system is a highly centralized bureaucratic structure. Its economic operation relies on foundations or non-profit organizations (NGOs) with legal personality. In this mode, charities essentially act as a credit intermediary between donors and recipients, building public trust through institutional brand reputation and government regulatory endorsement, and forming a funnel-shaped capital flow from "dispersion to concentration, and then from concentration to distribution". Specifically, as a bilateral market platform, non-profit organizations achieve efficient resource matching by reducing transaction costs and externalities between donors and beneficiaries [3]. At the same time, traditional charities ensure the compliance and effectiveness of the use of funds through professional project review, field research, and financial audit mechanisms. This structure has significant economies of scale advantages in dealing with large-scale and systematic public welfare projects [4]. However, this bureaucratic model also leads to complex stakeholder management challenges for charitable organizations, which need to find a balance between meeting donor expectations, beneficiary needs, government regulatory requirements, and maintaining organizational reputation [5].

2.2. Economic Limitations

2.2.1 management premium and low efficiency of resource allocation

Traditional institutions rely on bureaucratic operation, resulting in huge human, administrative and fundraising expenditures. The study found that the administrative efficiency ratio of non-profit

organizations is generally between 0.02 and 0.4, which means that a large number of donated funds have been diluted by administrative costs before reaching terminal recipients, directly leading to a significant decline in the sense of access of small donors. From the perspective of economics, this "administrative loss" is essentially the efficiency loss of charitable resources; However, when institutions excessively lower management fees to cater to public opinion, they tend to cause more serious waste of resources due to the lack of infrastructure investment.

2.2.2 Credibility decline caused by information asymmetry

Due to the long cycle and coarse granularity of traditional charity information disclosure, donors usually can only review the macro summary data in the annual report, which makes it difficult to accurately track the flow of funds. This opacity can easily evolve into a crisis of trust in the era of social media, in which information is transmitted instantaneously. The survey shows that about 32% of the respondents have less trust in charities than five years ago, and more than 60% of the respondents worldwide doubt the ability of non-profit organizations to complete their missions. The data of the China Foundation Transparency Index (FTI) also confirmed this systematic defect: since 2015, the score of foundation information disclosure has been reduced from 52.5 to 35.97 [6].

2.2.3. Rescue mismatch caused by lagging response mechanism

The rescue link of traditional charity covers multiple links, such as "project approval, fundraising, implementation, and audit", and the operation cycle is often calculated in months or years; In contrast, the Internet crowdfunding platform can raise funds within hours or days. This rhythm difference is particularly significant when dealing with sudden serious diseases or accidents: the delay of the traditional mode often leads to the missing of the "golden rescue period", forming a serious time mismatch between supply and demand. Digital crowdfunding has shown significant advantages in improving the response speed of emergency relief by virtue of the characteristics of real-time tracking, rapid start-up, and flexible adjustment.

3. The Subversive Challenge of Digital Crowdfunding to the Traditional Structure

3.1. Resource Mobilization Mode

Digital crowdfunding has achieved exponential growth of public welfare resources through technical means. First, social capital has realized the monetization transformation. Unlike the dependence of traditional philanthropy on institutional brands, digital crowdfunding is deeply rooted in social networks. By initiating help-seeking, the recipients transform their "social reputation" into "help-seeking motivation". This peer-to-peer trust endorsement based on acquaintance society greatly reduces the cost of obtaining charity information.

Secondly, the long tail effect is effectively activated. In the traditional charity mode, small donations of several or dozens of yuan are often ignored, because the processing cost may be higher than the amount of donations. The digital platform uses the low-cost mobile payment link to gather hundreds of millions of scattered funds into huge relief funds, realizing the Pareto improvement of charity resource allocation.

Secondly, digital crowdfunding poses a direct challenge to the "trust monopoly" of traditional charities and promotes the fundamental transformation of trust logic from "identity endorsement" to "technical confirmation". With the application of blockchain and other technologies, the whole process of each donation, from entering the platform to allocating it to the recipients, has been traceable and auditable in theory. This "technology trust" based on an algorithm is gradually replacing the "official seal trust" based on administrative constraints. Donors can directly observe the rehabilitation progress of the recipients through video updates or interaction in the comment area. The psychological compensation brought by this strong interactivity effectively makes up for the

deficiency of the "disappear after investment" one-way donation that is common in traditional philanthropy [7].

Finally, although digital crowdfunding has significantly improved the rescue efficiency, it also has a deep disturbance on the nature of charity and triggered new social challenges. In the digital crowdfunding market, help-seeking information is often commercialized as "traffic". Individuals with a moving writing style, strong visual impact, or rich social resources are more likely to receive excess donations. On the contrary, the poor groups who are really marginalized and lack the ability to apply digital tools are very easily further marginalized in the algorithm screening. The authenticity verification of personal help-seeking information faces a high cost. Once negative events such as information fraud or money squandering occur, it is easy to cause social "trust deflation" after amplification through the network. This negative effect will eventually backfire on the entire charity system, leading to public resistance to all public welfare activities. The crowdfunding mode mostly focuses on fragmented "case relief". This scattered and emotional flow of funds may weaken the fundraising ability of traditional charities in the field of systematic governance (such as public health, education reform, etc.), and then affect the fundamental solution of social problems [8].

4. The Interaction of the Two Modes and the Integration of Economic Structure

In the evolution of public welfare ecology, traditional charities and digital crowdfunding platforms are no longer isolated competitors, but have formed a new pattern of complementary symbiosis through logical infiltration.

4.1. Digital Reshaping of Traditional Charities

In order to meet the challenges of the Internet era, traditional foundations are undergoing a profound process of "de boundary". These institutions are no longer limited to the traditional offline fundraising mode, but are actively embedded in large digital ecosystems such as Tencent commonweal and Alibaba commonweal. Through this transformation, the traditional foundation can effectively use the huge traffic and digital touch ability of the Internet platform, so as to solve the problem of limited fundraising in the past. In this mode, the platform is responsible for the collection of resources, while the foundation focuses on giving full play to its core advantages in project implementation, risk control, and professional evaluation.

4.2. Institutionalized Compliance Transformation of the Digital Platform

In response to the public's query on the authenticity of information, the digital crowdfunding platform is reshaping its credibility by introducing an institutionalized constraint mechanism. Head platforms such as waterdrop funding and easy funding began to actively connect with the audit standards of traditional philanthropy, and frequently carried out strategic cooperation with large foundations with public offering qualifications. This evolution gave birth to a mixed management mode of "individual-initiated application and professional institution supervision". By introducing the endorsement and supervision of professional institutions, the digital platform has successfully covered the flexible individual rescue behavior with a layer of "institutional protection", effectively alleviating the trust crisis caused by information asymmetry.

4.3. Synergy Effect of Resource Allocation

In the modern public welfare system, traditional resources and digital traffic have achieved a leap in efficiency through the collaborative mechanism.

Leverage of donation allocation model: the typical model represented by "99 public welfare day" shows a significant economic leverage effect. In this mode, the government or enterprises provide "seed funds" to attract the public to make small donations through the bridge function of the digital platform to activate the "donation allocation" award. This mechanism successfully combines the large

amount of stock funds held by traditional charities with the incremental flow of the public brought by digital crowdfunding, optimizes the allocation of resources in a wider range, and thus maximizes the total social welfare.

Transformation from scattered assistance to project operation: the digital platform can accurately classify thousands of fragmented helps needs by using big data analysis technology. These demands are directed to professional public welfare projects operated by traditional institutions (such as various special funds for serious illness relief). This transformation path not only solves the problem that individual crowdfunding is too scattered and lacks systematicness, but also alleviates the financial difficulties faced by traditional institutions due to the lack of fundraising channels, making the rescue behavior more sustainable [9].

4.4. Closed Loop Remodeling of Trust Chain

Through the combination of technical means and organizational reputation, the public welfare industry is building a trust closed loop with full process traceability. The integrated economic structure tries to build a dual trust model of "bottom technology+top brand". Among them, blockchain and other technologies are responsible for recording the flow path of funds at the physical level, ensuring that the accounts are clear and tamper proof, and achieving "physical transparency"; Traditional institutions, on the other hand, give full play to their advantages of professional evaluation, and are responsible for in-depth auditing of the relief effect and social impact, establishing the social value of the project and realizing "value transparency" [10][11].

At the same time, in order to effectively curb moral hazard, a cross-platform blacklist sharing and verification mechanism is being established in the industry. When individuals initiate help-seeking on digital platforms, the background check database of traditional charities can provide strong verification support. This cross-border cooperation has greatly reduced the cost of information verification and jointly built an institutional firewall to prevent false help-seeking and capital squandering [12].

5. Regulation Path and Governance Optimization

In order to ensure the benign interaction between digital crowdfunding and traditional philanthropy, the industry needs to carry out systematic governance from the three dimensions of legal status, regulatory means and social culture.

5.1. Clarity of Legal Status and Access Norms

Against the background of the amendment of the charity law, it is very important to clearly define the legal nature of different fundraising activities. First of all, the regulatory authorities should clearly divide the boundary between "personal help" and "charitable public offering" on the digital platform, emphasize that personal help-seeking behavior does not belong to charitable fundraising, and establish the legal subject responsibility of the platform as the "reviewer". In addition, establishing a sound access and exit mechanism is also the key to ensuring the healthy development of the industry. The government should implement a licensing or filing system management for commercial platforms that provide digital crowdfunding services to ensure that their business activities are under the collaborative supervision of civil affairs, finance and other departments, and prevent financial and social risks.

5.2. Technicalization of Governance Measures

In view of the complex and changeable characteristics of information in the Internet environment, we should improve the governance efficiency through technical means. For violations such as "long fundraising" or "excessive fundraising", the industry should promote the establishment of a unified blacklist system and a property verification database for helpers. Using big data penetration technology, regulators can more accurately identify false help-seeking and fraud.

5.3. Rational Cultivation of Social Capital

The long-term prosperity of charity depends on the improvement of public charity literacy. Public welfare organizations and platforms should work together to guide the public to view the help-seeking information on social media rationally, learn to identify the marketing "selling" content, and encourage them to pay attention to professional public welfare projects with long-term social benefits. The digital crowdfunding platform should establish an industry alliance to achieve collective self-discipline by formulating unified service standards and ethical standards. This collective endorsement based on consensus helps to enhance the social capital stock of the entire charity economic system

6. Conclusion

Through the in-depth analysis of traditional charity and digital crowdfunding, this paper finds that the rise of digital crowdfunding does not indicate the demise of traditional charity, but a profound "structural remodeling" of public welfare ecology. In this reform, the digital platform uses advanced technology to solve the problems of low rescue efficiency and a high threshold for public participation. At the same time, traditional charities, with their profound professional heritage and mature institutional framework, have provided essential stability and compliance for the integrated new system. The two complement each other and jointly build a more complete public welfare picture. In the digital age, the successful transformation of the charity economy essentially depends on whether a dynamic balance can be reached between the inclusiveness of technical tools and the rigor of institutional supervision. Technology has given public welfare undertakings broader access, but only through strict system design to prevent technology alienation can we ensure that digital tools truly serve the social public welfare. This balance is not only the basis for the steady operation of the industry, but also the key to improving the total social welfare.

Looking forward to the future, with the in-depth application of cutting-edge technologies such as artificial intelligence and Web 3.0, the charity economy is expected to evolve into a global collaborative network of "full participation, real-time transparency and precise assistance". In this ideal state, public welfare resources will be able to break the barriers of region and information, and achieve more targeted distribution on demand. This will not only significantly improve the accuracy of the relief but also provide a strong technical and institutional guarantee for the realization of social equity and justice.

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