

Research on Fund Risk Management of Internet Public Welfare Crowdfunding Platform: Taking Water Drop Medical Crowdfunding as an Example

Xia Li¹, Huilin Gu^{1,*}, Peng Zhang²

¹Department of Accounting, Anhui University of Finance and Economics, Bengbu, Anhui, 233000, China

²Anhui Urban & Rural Planning and Design Institute Co., Ltd, Hefei, Anhui, 230000, China

*Corresponding author

Keywords: Public welfare crowdfunding, Fund Risk, Water Drop Medical Crowdfunding

Abstract: The development of public welfare crowdfunding platforms is in full swing. However, due to loopholes in regulatory policies and operating mechanisms, fund risks in the process of platform operation also need to be prevented and controlled. This paper takes Water Drop Medical Crowdfunding platform as the research object, sort out its business model, identify risks from internal and external, financial and non-financial perspectives, analyze the existing problems in its fund risk management, and put forward improvement measures and suggestions on fund risk prevention.

1. Introduction

With economic development and advent of the Internet era, various micro-payments and scenario-based payments have provided fertile soil for the digital development of charity undertaking. The combination of Internet and public welfare fundraising has emerged, and Internet public welfare crowdfunding platforms have sprung up. The fingertips public welfare model connects the third distribution and private public welfare capital as a whole. Voluntary participation of social subjects makes a beneficial supplement to the redistribution system and plays a crucial role in improving the medical security system (Zhong Yuying and Zhong Wenshan, 2021)^[1].

The development of online public charity crowdfunding platforms has made up for shortcomings of China's social security system to a certain extent, offering a helping hand to people in need in a more flexible, agile and intelligent way. However, due to the imperfect government supervision system and loopholes in the platform operation mechanism, false fundraising and malicious fraud have occurred from time to time (Yuan Yi, 2017)^[2]. Moreover, since 2021, major online public welfare platforms have shut down their mutual assistance models for serious diseases, including industry leaders such as Water Drop Mutual Aid, Meituan Mutual Aid and Easy Mutual Aid. If online philanthropy wants to be stable and long-term, how public charity crowdfunding platforms should deal with complex situations to deal with financial risks (Dong Jiajun, 2017)^[3] is worthy of in-depth consideration by scholars.

This paper selects Water Drop Medical Crowdfunding, the leading platform of public welfare

crowdfunding industry, as the research object, reviews the operation mode of Water Drop Medical Crowdfunding, identifies the fund risks of Water Drop from internal and external, financial and non-financial perspectives, analyzes the existing problems in fund risk management, and puts forward targeted suggestions on how to prevent fund risks.

2. Analysis of the management mode of Water Drop Medical Crowdfunding

Water Drop Medical Crowdfunding is the public welfare crowdfunding platform of Water Drop Company, which belongs to the public welfare module of the company system. As a public welfare platform, Water Drop Medical Crowdfunding brings very limited business income to the company. Its purpose of existence is mainly to provide similar insurance services in the early stage, cultivate public insurance awareness, and provide data and traffic support for Water Drop Insurance Mall and Water Drop medical innovation business in the later stage. Based on these purposes, Water Drop Medical Crowdfunding has formed a unique operating mechanism.

2.1. Project operation logic of the Water Drop Medical Crowdfunding platform

2.1.1. Project application

When the fundraiser applies for the project, it is necessary to clarify the information of the fundraiser, patient information, help instructions, family economic situation and other information; It is also necessary to provide the patient's medical diagnosis certificate within six months and the first page of the patient's admission medical records, inspection reports, medical bills, and admission records. After the application, the staff of the Water Drop Medical Crowdfunding will communicate with the fundraiser by phone.

2.1.2. Project verification and dissemination

The verification of Water Drop projects are divided into platform verification and social verification. The Water Drop Medical Crowdfunding platform will appoint professionals to contact the fundraiser's family to confirm the accuracy of the information, and will also contact the hospital and community to confirm the authenticity of the information. Fundraising projects approved by the platform can be spread in social software, and friends and family can help verify.

2.1.3. Withdraw donations

The fundraising period of the Water Drop Medical Crowdfunding projects is generally 30 days, reaching the number of days or completing the fundraising goal will stop fundraising. Cash can be withdrawn in advance 15 days after the project starts, but all materials need to be reviewed and the number of confirmed persons reaches 3, and early withdrawal will not lead to the suspension of fundraising. It is worth noting that since April 2022, Water Drop Medical Crowdfunding will charge a 3% commission for the withdrawal amount of a single fundraising project, but the maximum fee for a single fundraising project will not exceed 5,000 yuan; The third party payment channel will charge 0.6% payment processing fee. After the withdrawal application is approved, the project will enter a 24-hour publicity period, and the donation will arrive in 1-2 working days under normal circumstances.

2.1.4. Information supervision and punishment for dishonesty

The information disclosure content of the Water Drop Medical Crowdfunding projects includes: basic information of the fundraiser, donation target, fundraising amount, donation amount, donation

withdrawal situation, patient progress, etc.

In the supervision and reporting module, the whistleblower can make choices according to the situation, such as raising more money than the disease needs, raising money multiple times, inconsistent description of the disease, good family economic situation, the patient has passed away and so on. If the report is verified, the platform will terminate the fundraising project and return the money raised to the donor, and if the money has been withdrawn, it will also ask the fundraiser to return it. Follow-up implementation of the blacklist system, serious cases will be reported to the relevant departments.

2.2. Water Drop Medical Crowdfunding platform operating advantages

2.2.1. Pay attention to sinking markets

The unbalanced regional development in China hinders the formation of a unified social security system (Zheng Gongcheng, 2003)^[4]. The majority of residents in first and second-tier cities have higher incomes, enjoy excellent medical conditions and social welfare systems, and have limited dependence on public crowdfunding platforms. However, residents in third and fourth-tier cities have poorer living conditions and higher reliance on crowdfunding platforms. Water Drop Medical Crowdfunding, as a public welfare crowdfunding platform, pays great attention to marketing in lower-tier cities and has achieved significant results. 85% of the fundraising patients on Water Drop Medical Crowdfunding come from third-tier cities and below.

2.2.2. Focus on user experience

Water Drop Medical Crowdfunding platform has put a lot of effort into the fundraiser experience. The platform always insists on providing fundraising services for patients without charging fees, and drives the trend of no fees in the industry. Although it tries to extract fees in the later stage, it has obtained high traffic in the early stage. Moreover, Water Drop Medical Crowdfunding platform has pioneered the practice of withdrawing cash while raising funds, allowing eligible users to withdraw funds in advance during the fundraising process without affecting the subsequent collection of charitable donations.

3. External fund risk qualitative analysis of Water Drop Medical Crowdfunding

3.1. Legal risk analysis

Although China's public welfare crowdfunding platform has been developed for nearly ten years, it is still a new thing born in the period of rapid development of the Internet. From the legal perspective, the laws related to the field of public welfare are relatively limited. Although the Charity Law of the People's Republic of China promulgated in 2016 clarifies charitable behaviors and organizations, and specifically regulates public welfare behaviors, the relevant legal system of public welfare crowdfunding, a new charitable model, has yet to be improved (Yang Ruiyu and Ma Xiao, 2017)^[5]. Charity Law of the People's Republic of China further clarifies the main body of relief fundraising, and only qualified public welfare organizations and platforms can carry out fundraising activities, which improves the actual status of platforms such as Water Drop Medical Crowdfunding to a certain extent, and helps to carry out public welfare crowdfunding activities. However, there have always been voices in the legal community calling for relaxed regulation of private fundraising. If future donations for serious illnesses are confirmed to be distinct from civil donations and charitable fundraising, this will have a significant impact on platforms such as Water Drop. The determination of the attributes of public welfare crowdfunding platforms also leads to certain risks. The Ministry of

Industry and Information Technology is mainly responsible for supervising Internet enterprises and ensuring information security construction; The Ministry of Civil Affairs oversees the operations of various social organizations, including charities such as foundations. On the one hand, the Water drop platform is an Internet platform, and on the other hand, it is also a public welfare organization. In terms of supervision, various departments may shirk each other. Moreover, the Ministry of Finance and the State Administration of Taxation have a lot of provisions on charitable tax exemption, the specific rules of the provisions are still being improved, the preferential policy may be adjusted later, and the policy stability needs to be strengthened. Due to regulatory ambiguity and imperfect legislation, the funding security of public welfare crowdfunding platforms is threatened by legal, policy and regulatory risks.

3.2. Reputational risk analysis

In the operation process of public charity crowdfunding platforms, they often face incidents such as donation fraud that damage the image of the industry, and China's charitable organizations have been unable to win the trust of the people for a long time due to the impact of the Guo Meimei incident. The root cause is that the information disclosure system of various public welfare platforms is not perfect. Information disclosure system is the cornerstone for public welfare platforms to gain trust, which plays an important role in public welfare crowdfunding (Yan Sujie, 2020)^[6]. Although the Charity Law of the People's Republic of China explicitly stipulates that charitable organizations should fulfill the obligation of information disclosure, puts forward that information disclosure must be timely and complete, the specific provisions are relatively broad and lack detailed provisions on implementation. On the one hand, beneficiaries may conceal their true economic status and exaggerate the severity of their difficulties in order to increase the success rate of fundraising, thereby consuming people's goodwill to some extent and causing a serious phenomenon of homogenization of fundraising information. On the other hand, the lack of disclosure by platforms on the specific handling of donations leads to public skepticism and even the possibility of excessive collection of personal privacy information of patients and donors for profit. However, the current legal requirements for information disclosure by public welfare crowdfunding platforms are minimal, and platforms only focus on the qualification review of project initiation, with a lack of supervision throughout the entire process. No matter what kind of information concealment and abuse, in the whole donation process, donors are in a position of information vulnerability and need to pay actual funds. In the process of long-term information asymmetry, the public's doubts on the platform and the fundraiser will form a wave of public opinion, resulting in the loss of reputation and trust in the process of fund flow, thus generating fund risks.

3.3. Market risk analysis

In recent years, the domestic and foreign financial markets are unpredictable, and the market instability factors have increased. Internationally, the impact of the Russian-Ukrainian war continues to ferment, and international capital is struggling to cope. The effects of the collapse of Silicon Valley banks are still being felt. At the same time, China faces increasing external risks and challenges, insufficient domestic demand, weaker expectations of market entities, and exposed fiscal and financial risks.

In the field of public charity crowdfunding, with the continuous expansion of the market and the gradual completion of the legal foundation, a number of Internet fundraising platforms and personal illness help service platforms have emerged, and competition has also increased, resulting in the long-term development of major public charity crowdfunding platforms facing great challenges. Although the further deepening of the third distribution has created a relatively strong public welfare demand,

there is still a long process from the transformation of demand into the market and then the formation of benefits. Public welfare crowdfunding platforms face fierce competition, which makes their development more difficult. The lack of trust of donors has led to fierce competition and increased difficulty in raising donations. The whole process of fund flow, including fund raising, use, recovery and distribution, has been seriously impacted, and the overall funding risk in the field of public welfare crowdfunding is self-evident. Moreover, the fund risk brought by the market is a complex overall change process, which is not only affected by legal policies and public opinion, but also under the pressure brought by other industry adjustments. If do not pay attention to the overall capital flow risk of the market, it will bring disaster to the Water Drop company.

4. Internal Fund risk quantitative analysis of Water Drop Medical Crowdfunding

4.1. The influence of accounting quality on fund risk

4.1.1. The influence of asset quality on fund risk

Table 1: Statement of assets structure from 2019 to 2022 (unit: ten thousand yuan).

Year	2019	2020	2021	2022
Total current assets	246174.10	453273.70	503304.20	569061.90
Total non-current assets	9416.5	17231.8	21755.7	23160.4
Total Assets	255590.60	470505.50	525059.90	592222.30
Proportion of current assets	96.32%	96.34%	95.86%	96.09%
Proportion of non-current assets	3.68%	3.66%	4.14%	3.91%

Note: Data from Water Drop company annual report

As shown in Table 1, the total current assets of Water Drop Company from 2019 to 2022 continue to rise and increase significantly, especially in 2020, the growth rate of current assets reached 84.9%, almost doubling. From the perspective of the proportion of current assets and non-current assets, the proportion of current assets is stable at about 96%, which indicates that the exit risk of Water Drop Company is relatively low, but the high proportion of current assets also means that the profitability of assets is limited, which is not conducive to the profit and tax planning of Water Drop Company, and brings certain capital profit risk.

In the process of the overall increase of Water Drop company's current assets, it is mainly affected by the increase of short-term investment. This is related to the fact that the Water Drop Medical Crowdfunding uses part of the donations for short-term investments to achieve profits, and in order to avoid insufficient funds to pay when users withdraw, it mainly chooses short-term investments with stronger liquidity. At the same time, cash and cash equivalents did not achieve synchronous increase in the rising process of current assets, which indicates that if the proportion of current assets remains unchanged, the proportion of monetary funds will decrease, the overall liquidity of assets will decrease, and the debt repayment risk will increase.

4.1.2. The influence of profit quality on fund risk

Table 2: 2019-2022 Income quality related data (unit: ten thousand yuan).

Year	2019	2020	2021	2022
Accounts receivable	25249.90	53979.10	64384.30	67579.60
Operating revenue	151096.50	302794.80	320591.40	280176.80
Proportion of credit sales	16.71%	17.83%	20.08%	24.12%

Note: Data from Water Drop company annual report

(1)The influence of income quality on fund risk

Based on the data in Table 2, the operating income of Water Drop Company fluctuated significantly from 2019 to 2022, increasing by twice in 2020 and then decreasing in 2022. This is not proportional to the growth of the company's assets, indicating a problem in the quality of income. It is worth noting that while the operating income fluctuated, the total amount of accounts receivable continued to increase, with a growth of over twice in 2022. Compared with cash and cash equivalents, there is a risk of impairment in accounts receivable, which to a certain extent has brought financial risk to Water Drop Medical Crowdfunding. At the same time, the proportion of credit sales has been steadily increasing, from 16.71% in 2019 to 24.12% in 2022. This also indirectly reflects a decrease in the quality of income, and the fluctuation in the level of profitability has greatly impacted the fund risk of the platform.

(2)The influence of profit quality on fund risk

Table 3: 2019-2022 Profit quality related data (unit: ten thousand yuan).

Year	2019	2020	2021	2022
Operating revenue	151096.50	302794.80	320591.40	280176.80
Core profit	-18394.70	-46973.10	-181418.00	55970.00
Total profit	-17900.70	-61371.40	-179506.70	63069.30
Net profit	-32153.50	-66386.90	-157408.00	60771.70

Note: Data from Water Drop company annual report

According to the data in Table 3, from 2019 to 2021, the profit of Water Drop company has been negative for a long time, which shows its serious lack of profitability. Long-term losses will not only affect investors' willingness to invest in the water drop company, but also be detrimental to the reputation and credibility of Water Drop Medical Crowdfunding, bringing the possibility of a high level of fund risk. Though in 2022, Water Drop company achieved profitability, analysis of its revenue growth shows that the long-term large-scale marketing investment led to net profit losses. After reducing marketing investment, the profit returned to normal, but the growth was weak, indicating that Water Drop's profit was saved rather than earned. Furthermore, Water Drop Medical Crowdfunding platform stopped fully subsidizing related expenses as of April 7, 2022, and began charging a 3% service fee on the raised funds. The company also launched a new pharmaceutical innovation business. In 2022, these two businesses contributed 5.57% and 2.12% of Water Drop 's revenue respectively. But for Water Drop's industry position, the new business is not enough to maintain growth. The low quality of profitability greatly affects the funding risk of the Water Drop Medical Crowdfunding platform.

(3) The influence of gross profit rate on fund risk

Table 4: 2019-2022 Gross profit margin related data (unit: ten thousand yuan).

Year	2019	2020	2021	2022
Operating revenue	151096.50	302794.80	320591.40	280176.80
Operating costs	29131.00	74225.80	105447.50	101936.20
Gross Profit Margin	80.72%	75.49%	67.11%	63.62%

Note: Data from Water Drop company annual report

As can be seen from Table 4, under fluctuating business income, operating costs have significantly increased, leading to a continuous decrease in gross profit margin. The gross profit margin decreased by 5 percentage points in 2020 and by approximately 8 percentage points in 2021. Although the downward trend eased in 2022, it still declined by more than 3 percentage points. The decrease in gross profit margin reflects a decline in the core profitability of the enterprise, sounding the alarm for the funding risk of the enterprise.

4.2. Risk analysis of capital flow process

4.2.1. Fundraising risk

Table 5: Debt repayment capacity related data from 2019 to 2022 (unit: ten thousand yuan).

Year	2019	2020	2021	2022
Cash and cash equivalents	96447.60	106196.20	81771.90	157417.10
Current assets	246174.10	453273.70	503304.20	569061.90
Total assets	255590.60	470505.50	525059.90	592222.30
Current liabilities	87449.00	127128.90	124914.50	112169.10
Total liabilities	105439.40	152474.30	127717.30	115609.50
Total owners' equity	150151.20	318031.20	397342.60	476612.80
Cash ratio	110.29%	83.53%	65.46%	140.34%
Current ratio	281.51%	356.55%	402.92%	507.33%
Asset liability ratio	41.25%	32.41%	24.32%	19.52%
Equity ratio	70.22%	47.94%	32.14%	24.26%

Note: Data from Water Drop company annual report

According to Table 5, it is evident that the cash level of Water Drop company fluctuates significantly, while the rest of the assets show an upward trend. Through its current ratio and cash ratio, it can be seen that Water Drop's cash solvency has declined in the first three years, only recovering to previous levels in 2022. Its liquidity ratio has been increasing year by year, reaching over 500% in 2022. As analyzed earlier, Water Drop company has a high proportion of current assets, indicating strong short-term solvency, but limited profitability from current assets is impacting the company's current loss status. Both asset liability ratio and equity ratio are on a downward trend, indicating a warning for long-term solvency. Water Drop company must consider asset allocation to optimize solvency and profitability in order to address the current challenges. Otherwise, given the current situation of the company and the impact of the sluggish market conditions, there is a

significant risk in fundraising for Water Drop company.

4.2.2. Profitability risk

Table 6: Profitability and development capacity related data from 2019 to 2022 (unit: ten thousand yuan).

Year	2019	2020	2021	2022
Operating revenue	151096.50	302794.80	320591.40	280176.80
Total profit	-17900.70	-61371.40	-179506.70	63069.30
Net profit	-32153.50	-66386.90	-157408.00	60771.70
Net Operating Profit Margin	-21.28%	-21.92%	-49.10%	21.69%
Return on Equity	-21.41%	-20.87%	-39.62%	12.75%

Note: Data from Water Drop company annual report

According to Table 6, Water Drop company has suffered losses for three consecutive years and only reversed its losses in 2022. The net profit rate of its operating income has been maintained at more than -20% for a long time, and even reached nearly -50% in 21 years, of which the huge capital profit risk deserves attention. And after the above analysis, the loss of Water Drop company in 2022 is a large reduction in marketing expenditure and even at the expense of reducing revenue, but also by charging fees and other ways to make profits positive. Although the platform is a non-profit organization, the long-term loss of its parent company will affect the public's trust in the company, and will also reduce the ability of the platform to resist various uncertainties and increase fund risks.

4.2.3. Capital operation risk

Table 7: Operational capacity related data from 2019 to 2022 (Unit: time).

Year	2019	2020	2021	2022
Accounts receivable turnover	8.45	7.64	5.42	4.25
Current asset turnover	2.21	1.23	0.71	0.56
Fixed asset turnover	105.33	120.84	87.25	73.58
Total asset turnover	0.93	0.83	0.64	0.50

Note: Data from Water Drop company annual report

According to Table 7, Water Drop company adopts a relatively generous accounts receivable management policy, and its turnover rate continues to decline. At the same time, the current asset turnover and total asset turnover showed a downward trend year by year. Due to the characteristics of the Internet enterprise of Water Drop company, the total fixed assets are low, the fixed asset turnover is high, and the overall trend is downward. This shows that with the development of the Water Drop company, the operating capacity of the company's assets has declined significantly. The speed of capital flow directly affects the level of fund risk, and the Water Drop company should pay attention to the capital operation risk caused by the decline of asset liquidity.

4.2.4. Capital allocation risk

Table 8: Capital allocation related data from 2019 to 2022 (unit: ten thousand yuan).

Year	2019	2020	2021	2022
Comprehensive income attributable to the parent company	-29355.5	-67615.3	-161052.8	73745.4
Earnings per share (unit: yuan)	-0.38	-0.94	-0.58	0.15

Note: Data from Water Drop company annual report

According to Table 8, Water Drop Company has been experiencing long-term losses in the past four years, leading to a prolonged slump in comprehensive income, difficulty in fund recovery, and significant financial risk. This situation will severely affect the company's initiative in the process of profit distribution. The long-term negative comprehensive income attributable to the parent has deterred potential investors in the stock market, while for the original shareholders, the long-term loss status will also deplete their investment patience, prompting them to withdraw their investment and ultimately leading to the bankruptcy of the company. The inherent risk in fund distribution is self-evident.

5. Fund risk response strategies for Water Drop Medical Crowdfunding

5.1. Improving measures to deal with external fund risk

5.1.1. Build external feedback mechanism

As a new charitable donation model, the fund risk of Water Drop Medical Crowdfunding cannot be ignored. As a new business model, the relevant legal and policy constraints are highly likely to change, and the market is also highly volatile. Establishing a sound external feedback mechanism can effectively reduce market and policy risks, so as to achieve the purpose of fund risk management. In addition, as a multinational listed enterprise, Water Drop's business is mainly concentrated in China. Due to its performance failing to meet the conditions, it chooses to list in the United States, which leads to greater policy and legal risks and needs to pass the supervision of China and the United States.

Building external feedback mechanism can be divided into two parts. First, the platform should improve its market risk feedback mechanism by establishing a multi-channel feedback mechanism and building an indicator system to respond to risks in a timely manner, sensitively grasp market demands. Second, the platform should maintain good communication with regulatory authorities. This is conducive to grasping the development trend of national policies and predicting potential risks. Water Drop Medical Crowdfunding should be based on the identity of a public welfare organization, actively seek cooperation with the government, and maintain good communication.

5.1.2. Increase platform independence

As a public welfare crowdfunding platform, Water Drop Medical Crowdfunding should pay more attention to the influence of public opinion than traditional Internet companies. In terms of business model, the multi-platform collaborative operation of Water Drop company has indeed achieved a unique development mode, and has also brought huge benefits to Water Drop company. However, the company's operation mode has excessively extracted the commercial value of the platform. In addition to using the Internet traffic brought by the Water Drop Medical Crowdfunding, it has also excessively collected user data to provide the use of the Water Drop Insurance Mall and Water Drop medical innovation module, resulting in a decline in the reputation of the Water Drop Medical

Crowdfunding. Moreover, too high exposure is as if being observed with a microscope, and both positive and negative effects will be amplified.

In order to achieve better development, Water Drop company should seek opportunities to separate the Water Drop Insurance Mall business from Water Drop Medical Crowdfunding, especially after the completion of insurance branding, readjusting the proportion of sinking market users is a timely choice. When the Water Drop Insurance Mall has a certain number of users, it can form an internal cycle of the business model and reduce the dependence on Water Drop Medical Crowdfunding. The increased independence of Water Drop Medical Crowdfunding helps reduce reputational risk. As a non-profit organization, Water Drop Medical Crowdfunding avoids excessive commercialization, on the one hand, it can encourage the public to participate in supervision, on the other hand, it can also expand the regulatory responsibility of the government, so as to avoid the harm caused by industry chaos and disorderly competition to social public welfare undertakings.

5.1.3. Improve platform competitiveness

Market competition is becoming increasingly fierce, and the redistribution of social resources makes the Water Drop company face more and more pressure in the industry. In the public welfare crowdfunding platform, in addition to Fun in Funding, Tencent Public Welfare and other platforms competition, major Internet companies have also been involved; In the insurance field, Ping An Insurance, Life Insurance and other enterprises have long been affiliated with the Internet insurance industry. Compared with other companies with early advantages, Water Drop company wants to develop must find another way.

First of all, the company can further enhance the brand benefits, based on the identity of Water Drop Medical Crowdfunding, after the completion of separation of public welfare and business, the social benefits of the Water Drop Medical Crowdfunding will inevitably be a higher level, and the improvement of corporate image can also promote the improvement of corporate competitiveness. Secondly, differentiated information classification should be realized. At present, the information homogeneity of domestic crowdfunding platforms is serious. If the information classification can be done well, the influence of the platform will certainly be enhanced. Finally, dig deeper into high value-added customers. In the Water Drop Insurance Mall, most of the customers come from the users of Water Drop Mutual Aid and Water Drop Medical Crowdfunding, and its main income comes from the sinking market. However, for users with specific customized insurance needs, Water Drop company is not yet deeply involved, and it is necessary to focus on high value-added customer groups.

5.2. Improving measures to deal with internal fund risk

5.2.1. Improve comprehensive management capabilities

To enhance the comprehensive management ability of Water Drop company and achieve sustainable development, several strategies should be implemented. Firstly, it is essential to rationalize asset allocation. As analyzed above, Water Drop company has been experiencing long-term negative profits, which poses significant risks in terms of increasing assets and equity. Therefore, the company should adjust its asset structure to secure stable cash flow.

Secondly, expanding user levels is crucial. Water Drop company should enhance user stickiness, leverage the advantages of multi-platform collaborative operations, gain customer trust, and establish a long-term stable user base. Moreover, developing high-quality customer groups and breaking through development bottlenecks through high-quality customized services are also key strategies.

Lastly, optimizing business models is imperative. Developing competitive products is a crucial way to mitigate current risks. The company can apply for an internet insurance license, seeking

breakthroughs in insurance brokerage and agency business. As an internet platform, maintaining the reputation of Water Drop Medical Crowdfunding and fully developing its industry advantages, shifting the focus of business from brokerage services, and establishing a new model with product sales as the main business are essential steps.

5.2.2. Establish information management platform

The integration of digital technology and public charity crowdfunding can bring about innovative upgrading of data sharing, donation tracking, and management supervision (Cai Mingzhang et al., 2020)^[7]. When building an information management platform, the following modules should be included: First, the marking and archiving module of information, which can audit the project data and archive it, initially check the authenticity of the data through big data joint investigation means, and directly introduce the penalty module or introduce manual audit for garbage projects and false data cleaning and investigation, laying the foundation for the later establishment of supervision and accountability mechanism. Second, the information differentiation processing module, which can sort out and refine a large number of homogenized information, classify and display. Third, privacy information protection module, which can avoid excessive collection of user data, disclosure of personal privacy, and financial risks.

5.2.3. Establish effective supervision and punishment mechanisms

Establishment of a comprehensive supervisory system throughout the entire process is needed for Water Drop Medical Crowdfunding. Firstly, pre-supervision system should be put in place to expand information verification channels before the project is officially launched. Platform verification should increase the possibility of manual on-site verification, and can also be improved through cooperation with hospitals and insurance companies to enhance multi-dimensional platform verification. Social verification should increase the scrutiny of certifiers. Additionally, government verification channels can be introduced to delegate some supervisory responsibilities to the government. Secondly, in-process supervisory system should monitor the flow of funds during the fundraising process, and third-party testing and operating agencies can be introduced for this purpose. Finally, a post-supervisory system should focus on verifying the use of funds and disclosing results to ensure that the use of donations aligns with the project's goals, while also providing feedback to donors.

The establishment of a penalty and accountability mechanism must rely on the supervisory system. Firstly, the expansion of a blacklist system should not only apply to fundraisers, but also include unqualified certifiers, who should be added to the blacklist and publicly disclosed. Secondly, efforts to recover donations must be increased. Water Drop Medical Crowdfunding can establish a legal department to handle donation recovery legal services, and can also collaborate with local supervisory authorities to incorporate donation recovery into the scope of public services.

Acknowledgements

Funding Sources: This work was supported by the National Social Science Fund of China (NSSF), Research on mechanism design and regulatory countermeasures of non-profit organization public welfare crowdfunding under the background of common prosperity (Grant No. 22BGL216).

References

[1] Zhong Yuying, Zhong Wenshan. Strength and regulatory focus of online public welfare crowdfunding for medical assistance from the perspective of third distribution [J]. Chinese Journal of Health Policy, 2021, 14(11):49-54.

- [2] Yuan Yi. *Research on development status and trend of public charity crowdfunding in China [J]. Hebei Academic Journal, 2017, 37(06):154-158.*
- [3] Dong Jiajun. *Research on the development status and countermeasures of public welfare crowdfunding in China [J]. Modern Business, 2017(36):168-169.*
- [4] Zheng Gongcheng. *Social Security Reform and System Construction in China [J]. Journal of Renmin University of China, 2003(01):17-25.*
- [5] Yang Ruiyu, Ma Xiao. *Research on the status quo and risk prevention of online public welfare crowdfunding [J]. Study and Practice, 2017(02):81-88.*
- [6] Yan Sujie. *Research on the development status and legal System Improvement of online public welfare crowdfunding [J]. Journal of Shanxi Institute of Energy, 2020, 33(06):68-70.*
- [7] Cai Mingzhang, Wang Lin, Wu Jiang. *Research on the application of blockchain technology in the field of Internet public welfare crowdfunding [J]. Library and Information, 2020(02):76-80.*