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Beyond Donations: Building Sustainable Earned-Income Models for Nonprofit Organizations in China

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Abstract. Traditional non-profit organizations in China rely heavily on various forms of donations. This strong reliance leads to unstable funding and hinders the long-term realization of these organizations' social missions. Against this backdrop, the public welfare consumption model and the social enterprise model offer potential ways to reduce reliance on one-time donations and generate income. This article first reviews three classic international social enterprise models, TOMS, Microfinance Bank, and Patient Capital, to identify the core mechanisms, advantages, and inherent risks of sustainable and autonomous revenue generation. Based on the theory of public welfare consumption, this study further conducts a comparative case analysis of two local public welfare projects: BCAF charity gift box and Chinese TikTok's "Turning Paints into Reality". The study finds that relying solely on public welfare promotion cannot sustain long-term income. For product-based public welfare models, product quality and genuine consumer demand are the basis for repeat purchases, rather than the public welfare significance of the products; social media mainly serves as a communication tool for spreading public welfare stories and building public trust, but short-term online popularity is difficult to translate into stable financial support. The direct sale of creative charity products faces issues such as production costs and market competition. Cooperation between enterprises and non-profit organizations can effectively alleviate the operational burden of non-profit organizations. This study believes that non-profit organizations should adopt a mixed model combining government funding, enterprise cooperation, product sales revenue, and public donations to obtain funds. To achieve long-term financial sustainability, non-profit organizations must strike a balance between fulfilling their charitable missions and conducting feasible business activities while maintaining stable market demand.

Keywords: nonprofit organizations, social enterprise, cause-driven consumption, earned-income model, hybrid funding

1. Introduction

Profit-driven companies exist mainly to earn money for their owners. However, nonprofit groups have a primary goal of bringing benefits to society instead. These two types of companies' core goals are greatly different, so nonprofits cannot use the standard business models of regular companies.

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First, there is a significant difference between the people who receive help and those who pay in these two types of organizations. In typical for-profit companies, customers receive services or products and pay for them, so the beneficiaries and the payers are the same group. However, in nonprofit organizations, these two groups are usually different. Take the children's charity project as an example. Children are the beneficiaries and receive free assistance, while the related costs are borne by local governments, foundations, enterprises, and other types of donors. This way of fund allocation brings many difficulties to non-profit organizations. These non-profit organizations need to determine who is in greater need of help or who is more worthy of assistance. In addition, those non-profit groups are always facing a core challenge: they need to figure out not only who they are and what services they should provide, but also answer the question of who is willing to fund these non-profit services in the long run and what could drive their continuous financial support.

We can distinguish between two key concepts. The business model explains how an organization creates and provides value, while the funding model focuses on the sources of funds, why the funder supports a non-profit project, and whether it is worthwhile to continue providing such funds. Most beneficiaries of non-profit organizations do not need to pay for the services, so stable long-term financial support is necessary. This paper examines whether commercial activities can improve the financial sustainability of nonprofit organizations and explores which funding approaches may be most applicable to Chinese public welfare organizations [1].

2. Conceptual background

2.1. Social enterprise and alternative funding models

A social enterprise is an organization with two main goals. The first goal is to identify and solve social problems, bringing positive changes to individuals and communities; the second goal is to obtain stable income through its own operations, so that it can operate the enterprise for a long time. Social enterprises are completely different from charitable organizations and ordinary enterprises. Traditional charitable organizations mainly rely on donations from donors or funds provided by the government to maintain their operations, and their sources of funds are unstable, completely dependent on external assistance; while ordinary enterprises only focus on creating high profits for their owners, any positive social impact is only an incidental result to obtain profit and is not the main goal. Social enterprises need to have both social value and stable income. Charitable organizations that rely on random donations can only provide short-term assistance, while social enterprises, with their own process of self-generated revenue, can freely expand their social work without worrying about donation interruptions and lack of funds [2].

One of the social enterprise cases is TOMS [3]. For TOMS, the beneficiaries are children in disadvantaged situations and groups in need of support worldwide. These people can receive free shoes and related assistance, while ordinary consumers purchase TOMS products as the payers. These funds come from consumer sales and are used to support business operations and social projects. Consumers choose to make the payment because they hope to participate in charitable activities in an easy and favorable way and make contributions to the TOMS program; by shopping at TOMS, they can easily give back to society and also receive a product themselves. This brand offers charitable services, which encourages consumers to make repeat purchases. Unlike one-time and unsustainable direct donations, TOMS combines charity with consumers' daily consumption, forming a large and continuous source of funds rather than sporadic donations. Its social value is closely related to income. The higher the sales volume, the more funds can be obtained. A portion of

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the revenue is used to cover production costs, and the remaining part is used to fund charitable activities. This means that the company's sales volume directly affects the scope of social assistance.

The second case is the Microfinance banks [4]. The beneficiaries of Microfinance banks are low-income people who are excluded from mainstream banking services, including small-scale farmers and small business operators, while the payers are low-income borrowers who cover loan interest and minor service charges. These banks earn income through the interest and fees generated by the Microloans. Borrowers are willing to pay these charges because major banks refuse their loan applications, and the fees grant them access to capital for living expenses or small ventures. This model differs greatly from donations because donations provide free funds with no repayment obligation, whereas Microloans require full payback. The collected fees allow repeated lending cycles rather than one-time free grants. Service fees sustain the daily operations of microfinance institutions, allowing them to continue providing accessible loans to vulnerable communities and forming a self-supporting cycle of inclusive financial services.

The third case is Patient Capital. Patient Capital helps companies and projects that solve long-term social issues. The payers are long-term investors who provide large amounts of capital. The money comes from investment profits earned slowly over many years, so investors need to wait a long time to get their money back. These investors invest for two reasons. They earn money little by little and witness real social progress. They accept slow profits to make long-lasting positive changes to society. This model is not the same as donations. People who donate money never get it back. Patient capital must be repaid. After repayment, investors can use the money again for more social projects. Investment money supports the growth of social projects. When these projects become stable and profitable, they send earnings back to investors. Investors then reuse the funds to support more new social programs [5].

2.2. Lessons from social enterprise models

Market-style approaches do not always guarantee long-term success. TOMS may lose customers when interest in its product or operating model wanes. Microfinance faces risks of unpaid loans, and high fees may strain poor users. Patient capital requires very patient investors, so such funding is limited. Commercial models fit social problems with clear market demand, such as affordable goods for disadvantaged people and small-sum loans, but they do not fit sudden disaster aid, public medical care, and other fields where people cannot afford to pay.

3. Cause-driven consumption in China

In China, most people buy goods related to public welfare, and many charitable groups aim to generate revenue to reduce reliance on donations. According to the 2023 China Cause-Driven Consumption Report [6], most Chinese consumers are willing to purchase products with charitable value, but the majority only occasionally engage in charity-promoting purchases rather than doing so regularly. When shopping, buyers prioritize product quality over charitable value, and they also consider personal hobbies, shopping convenience, and transparent public welfare goals.

Charitable elements usually can enhance customers' purchasing intention when they are hesitant about a product. Consumers will pay for physical goods and for touching charitable stories. However, merely relying on charity alone cannot make consumers repeatedly purchase. If the product quality is poor, even if it has significant social value, consumers will not be willing to buy the product. In other words, when consumers are hesitating whether a product is worth buying, adding charitable elements to that product will increase the desire to purchase. However, when

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consumers themselves have no intention to buy a product, even if the product has charitable elements, consumers are very unlikely to purchase it.

According to the 2023 China Public Welfare Consumption Report, 45.26% of consumers are most eager for food and beverage brands to conduct promotional activities with a charitable purpose(see Figure 1 [6]):

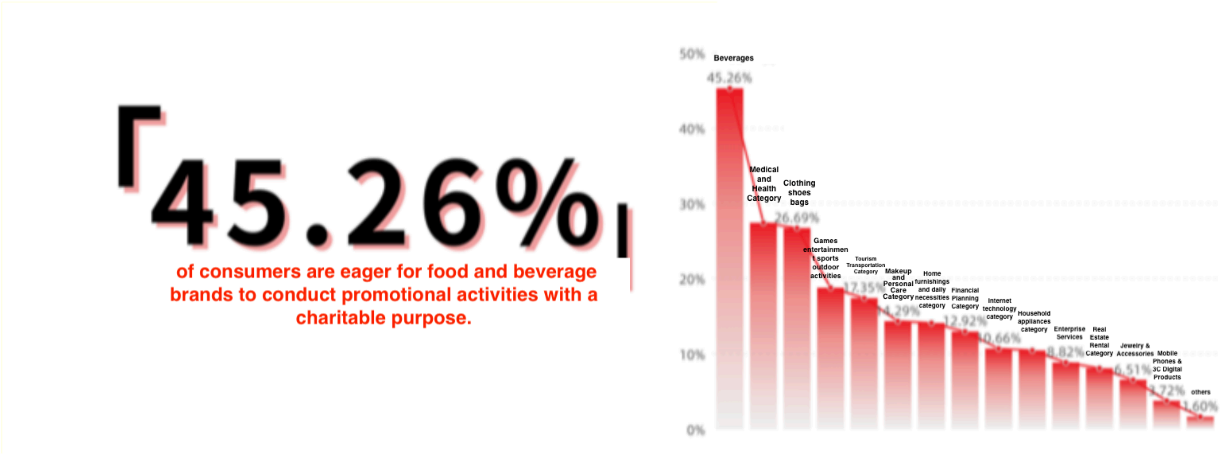

Figure 1. Consumer preferences for cause-driven promotions across product categories in China

Shifting consumption toward public welfare gives charities a new revenue model for charitable organizations. Instead of relying on one-off donations, charities can use this model to bring in steady, ongoing income for charitable organizations and help them reach younger audiences. However, this model also has clear drawbacks. One drawback is that charitable products will compete with ordinary commercial goods, and public attention to social welfare may weaken over time.

In conclusion, this trend raises two key questions for future research. First, which business models best fit Chinese public welfare organizations? Second, how do local charity projects translate abstract charitable ideas into concrete products and lasting business partnerships? Exploring these questions will help nonprofit organizations strike a balance between fulfilling their charitable missions and securing stable income.

4. Case studies

To provide a structured comparison of the two projects, this section analyzes each case across six dimensions: beneficiary, payer, product or service, value proposition, the role of social media, and limitations or risks.Digging into these questions will help nonprofits find the right mix between staying true to their mission and making sure money keeps coming in.

4.1. BCAF Charity Gift Box

The beneficiaries of the BCAF Charity Gift Box are children participating in rural art education programs. Revenue from BCAF Charity Gift Boxes [7] comes from product sales and collaborations with enterprises. Ordinary consumers are the primary purchasers, buying physical cultural and

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creative products based on children's artwork. The collaborating brands handle production and sales [8].

The buyers receive both tangible products and emotional satisfaction from supporting children's art education [9]. Therefore, the children's artwork and charitable story become part of the value of the product. This is consistent with the consumption pattern discussed in the previous section: charitable elements can increase consumers' willingness to purchase when the product itself already has value to them.

Social media is mainly used to spread the stories behind the products and attract potential consumers, while the actual revenue comes from product sales and corporate collaboration. However, this model also has limitations. Production and sales create additional costs, and poor product quality may make consumers reluctant to purchase again. Therefore, the sustainability of the model still depends on whether the products can attract consumers beyond the charitable story itself.

4.2. Douyin's "Turn Paintings into Reality"

Douyin's "Turn Paintings into Reality" project [10] uses children's paintings and short videos to attract public attention to charitable causes. Unlike the BCAF case, the project does not mainly depend on selling physical products. Instead, social media is used to spread children's stories, encourage public participation, and direct attention toward charitable support.

For ordinary internet users, the value proposition is therefore different from BCAF. They do not necessarily receive a physical product. Instead, they participate by watching, liking, sharing, or supporting the charitable activity. The children's paintings and personal stories help create emotional connections between the public and the project.

Social media plays a much more central role in this model [11]. Touching short videos can quickly reach a large audience and encourage participation. However, this also creates a major limitation. Once the popularity of the videos declines, public attention may also drop rapidly, making it difficult to ensure a stable source of funds. Online attention itself does not necessarily become long-term financial support.

4.3. Comparison and key findings

The two cases show different ways of connecting charitable activities with financial support. In the BCAF case, consumers pay for physical products and receive both product value and charitable value. In the Douyin case, the public mainly participates through social media engagement and charitable support rather than normal consumption.

This difference is important for financial sustainability. BCAF has a clearer connection between market transactions and revenue generation, but it also faces production costs, product competition, and the risk of low repeat purchases. Douyin can reach a much larger audience with relatively low participation barriers, but its effectiveness depends more heavily on online attention and public interest.

Both cases also show that children's works and their personal stories can help people understand and trust public welfare projects. However, charitable stories alone cannot create a sustainable business model. Consistent with the previous discussion of cause-driven consumption, charitable elements may encourage hesitant consumers to make a purchase when they already want the product. If there is no product that people genuinely want to buy, an attractive charitable story alone is unlikely to create sustained consumption.

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Therefore, social media should mainly be understood as a tool for disseminating information, attracting audiences, and building trust rather than as a stable revenue source itself. Similarly, charitable products can generate income, but they may not independently support long-term charitable work. These cases suggest that corporate collaboration, product licensing, and enterprise procurement may provide more stable opportunities than relying only on direct retail sales or short-term online popularity.

5. Discussion

Based on previous research on social enterprises and Chinese charitable consumption, as well as two local case studies, we have answered the core research question. The question is whether business activities can help non-profit organizations achieve financial sustainability, but they cannot eliminate all financial risks.

5.1. The limitations of charity products

Charitable creative products have many limitations. People will not repeatedly purchase these products merely because they support charitable projects. Product quality is the most important factor for consumers. These charitable products also compete with ordinary goods on the market. Over time, public interest in charitable consumption has gradually declined, so sales income is often unstable.

5.2. Why corporate partnerships matter

For small non-profit organizations, collaborating with enterprises is more effective than selling products independently. If a charity solely relies on retail operations, it has to bear costs such as production, warehousing, and promotion, which leads to heavy expenses and risks. However, collaborating with enterprises enables the charity to focus on its charitable goals, with the business partners handling supply chain management and market pressure.

5.3. A hybrid funding model for Chinese nonprofits

The most practical funding model [12] is a mixed model, which includes government grants, corporate partnerships, product sales revenue, and public donations. At the same time, for charitable organizations, they also need to correctly understand the role of social media. Social media can spread charitable stories, attract supporters and build trust, but it is merely a communication channel. Because the popularity won't maintain a long time, and this short-term online popularity cannot bring stable and long-term income.

6. Conclusion

In summary, non-profit organizations should not rely solely on independent funding sources. A more realistic approach is to establish a mixed funding system. Only when there is genuine demand, a reasonable profit margin, and a stable sales channel can charitable products consistently generate income. Non-profit organizations need to maintain a good balance between fulfilling charitable missions and securing reliable funding support.

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