

# Government Attitudes Toward Live Streaming: Evidence from China

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**Abstract:** This paper investigates the development of the live streaming industry in China. Traditional promotion methods have to be replaced with live streaming which plays a key role in the growth of China's e-commerce market. The research gathers actual data, cases of tax evasion as well as the supportive subsidies and suppressive restrictions deployed by the government. Using this information, the study analyses the relationship between the popularization of the live streaming industry and government policies. According to our analysis, the study finds that the live streaming industry's impact on the whole society and the future government policies on this industry is unpredictable due to the frequent occurrence of illegal tax evasion, unreliable product quality, and the difficulty to guarantee after-sales service.

**Keywords:** The Live Streaming Industry; KOL; Government Policies

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## 1. Introduction

Recently, the digital economy develops rapidly in China. It is an economic operation mode that runs through big data analysis and the application of artificial intelligence. It covers all entities and non-entities involved in the Internet, big data, and the application of artificial intelligence.

In April 2021, *The China Academy of Information and Communication* released the *White Paper about The Development of China's Digital Economy (2020)*, which made an in-depth quantitative analysis of the development of the digital economy in various regions of China. In terms of total output, Jiangsu, Zhejiang, Shanghai, Beijing, Fujian, Hubei, Sichuan, Henan, Hebei, Anhui, Hunan, and other provinces saw their added value of digital economy exceed 1 trillion yuan. In terms of proportion, the digital economy in Beijing and Shanghai occupies a dominant position in the regional economy, accounting for more than 50% of GDP.

However, as the investment and management of manufacturers will shift from Internet plus mode to AI plus mode, the future of China's digital economy is promising. With the rapid development of the digital economy, the e-commerce market grows fast these years. Although the growth rate experienced a remarkable drop of 25% after 2017, there was still a 15.4% growth rate in 2021, and China's e-commerce transaction volume reached 11.9 trillion yuan in November 2021. Therefore, it laid a good foundation for the development of the live streaming industry.

## 2. Literature Review

### 2.1 The Attitude of The Government

As the digital economy is becoming a key force in reshaping the global economic structure and changing the global competition pattern, President Xi stressed the need to encourage the development of the digital economy. Including strengthening the core technology research and encouraging innovation (Bu, 2021). Further Studies by Pan (2021) point out that, thanks to China's

super-large market, we have an advantage in developing the capacity of digital technology, achieving high-level independent research, and keeping the autonomy of developing the digital economy on our own.

However, there are still some side effects during the development of the live streaming industry (Shen, 2019) including false advertising, selling low-quality products, poor after-sales service (Li, 2020), and tax evasion (Liu, 2021). Therefore, the government should reshape the digital economy (He, 2021) and the live streaming industry to promote healthy and orderly development. Strengthening the restrictions of the live streaming e-commerce industry, setting up a nationwide supervision and reward system, and establishing the blacklist system are common methods used by the government (Li, 2020).

### 3. The Reason for Live Streaming’s Success

There are tons of reasons why live streaming is successful in China, e.g., robust consumer market, new technology, rising national cultural confidence, population growth, etc. According to our research, however, the development of infrastructure, the commercial value of social media, the soaring e-commerce, the capacity for brand building, and the character of the Chinese market are the main reasons for the success.

### 4. Trends in China

The E-commerce market grows faster in China relative to other countries, it has even become a necessary developing trend in China. The win-win situation for firms, consumers, and the whole society is the main reason.

Figure 1 shows that the share of the e-commerce market relative to total retail sales grows from 18% to 44% in China. The industry experienced significant growth in the last 4 years. In addition, compared to China, the growth rate in other countries, e.g., the U.K., the U.S., and Germany are not so obvious (27.5% VS 14.5% VS 11.2%).

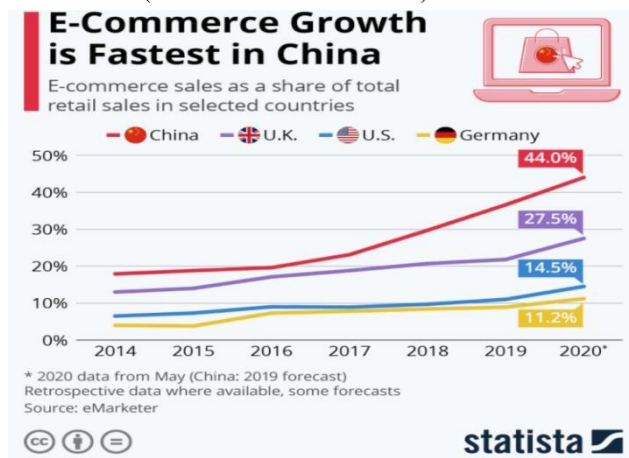


Figure 1: E-commerce Growth is Fast in China

Data source: eMaker statista

### 5. The Attitude of Government

Despite the great success in China, live streaming, as an early-stage industry, still needs the support and regulation of the government. The government should play a key role in encouraging the development of the live streaming industry by providing supportive policies to newly established online firms, live streaming platforms, and bloggers. While the government should also publish relevant laws to eliminate the dissemination of false information and punish relevant entities.

#### 5.1 Supportive Subsidies of Government

During COVID-19, with the frequency of people shopping in real shops reduced dramatically, online shopping becomes increasingly popular and the online market is seeking new methods of promotion to let online shopping becomes more attractive which can increase sales. At the same time, favorable policies were also introduced by the government, the state vigorously promoted the expansion and improvement of domestic consumption, and accelerated the formation of a strong domestic market.

In addition, huge job opportunities for the public created by the live streaming industry are also the reason for the government to support its growth. According to data released by BOSS Zhi Ping in the 'Report on Live-streaming Talents in the first half of 2020' on June 22, 2020, in the first half of 2020, the demand for talents in major positions of the "live-streaming economy" reached 3.6 times that of the same period in 2019, and the number of job-seekers pouring into the industry was 2.4 times that of the same period last year. Meanwhile, the report also points out that the timing of the e-commerce shopping festival has a significant impact on talent demand in the short term. During the recent 6.18 market period, the demand for the two main jobs of bloggers and live streaming operations was 11.6 times that of the same period last year, with a talent for the live broadcast operation being in particularly short supply. In addition, from the regional division, Hangzhou, Guangzhou and Shenzhen lead the development of the "goods economy". In terms of job demand and the most desirable destinations for job seekers, the three cities ranked third. Beijing narrowly overtook Shanghai to become the city with the highest average salary for live-streaming recruitment in the first half of 2020.

**Table 1:** Recent Government's Supportive Subsidies

Time	Content
2020/7/14	encourage the development of a new individual economy, create new space for consumption and employment, vigorously develop the micro-economy, encourage innovation in sideline businesses, strengthen the protection of labor rights and interests in flexible employment
2020/9/21	By 2025, several new consumption demonstration cities and leading enterprises will be developed, the proportion of online retail sales of physical goods in total retail sales of consumer goods will significantly increase, and new forms and models of consumption such as the Internet Plus services model will be popularized and mature.
2021/3/22	foster and strengthen new forms of retail business, strengthen innovation in commodity supply chain services, and strengthen the development and training of new jobs and types of work.

Data source: Magic Mirror Market Intelligence (2021-12) on the Development Trend of New Consumer Brands in China in 2022

## 5.2 Suppressive Restrictions of Government

Part of some government officials believes that the detrimental effect of the live streaming industry can be relieved via the regulation of the relevant department. Liang believes many problems caused by the explosive economic growth of Internet celebrities are becoming increasingly prominent and need to be regulated. He said, " Due to the lack of supervision and low threshold for the industry, the quality of KOLs is uneven, which leads to the prevalence of false and exaggerated propaganda, fake products, and the difficulty in providing after-sales service, making them the disaster area for consumer complaints." Li also expressed that bloggers, platforms, product supply enterprises, and other relevant participants lack clear management standards and regulatory mechanisms, and there is no basis for the standardization and standardization of relevant industries and industrial chains.

Some standard, as part of the regulation, has already been published. Consequently, the Chinese Business Association

Professional Committee of Media Shopping led the drafting of the industry's first national community standard "shopping by live-streaming operations and service basic norms" and the network shopping service system integrity evaluation guide will be released in July. The standard will regulate the terms and definitions of the industry, the quality of products, the software and hardware requirements of live streaming scenes, the behaviors of bloggers, the operation and management of industrial enterprises, the compliance of platforms, and the supervision and management of regulatory authorities, setting thresholds and establishing norms for the live streaming shopping industry.

One of the major reasons: is the frequent occurrence of tax evasion:

In the process of rapid development of the platform economy, some KOL's tax violations disturb the order of tax collection and management and destroy the market environment of fair competition.

Tax authorities in Hangzhou recently found that ViYa, which was one of the top KOLs, was suspected of evading 643 million yuan in taxes between 2019 and 2020, and underpaying 60 million yuan in other taxes. Viya is not a special case. On November 22,

2021, blogger MISS. Zhu and MISS. Lin were prosecuted and fined 65,553,100 yuan and 27,672,500 yuan respectively for tax evasion.

Therefore, tax authorities should investigate and punish the illegal tax activities of bloggers by laws and regulations, which is conducive to the long-term standardized and healthy development of the live streaming economy. At the same time, tax authorities should also earnestly implement various preferential tax policies, continue to optimize tax services, and create a good tax business environment for the economic development of the platform. The live streaming industry can have healthier growth.

## 6. Conclusion

The live streaming industry, as a newly born industry, experienced a successful period in China. In this study, we investigate the reason for it by reading literature, gathering public information, data analysis, and interview. According to our research, the attitude of the government, including both the support and regulations, is critical to the further growth of this industry. The government should regulate the behavior and encourage innovation in this industry.

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