

# Exploring Current Media Funding Model: Strategies and Recommendations for Sustainability

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## Abstract:

Media plays a vital role in the globe as it is perceived as the primary source of information which will make people more participated in the society. However, to ensure sustainability and development, funding is indispensable for establishing, operating, and maintaining media businesses. Through a literature review and the case study of press subsidies in Germany, this paper aims to delve into the historical and current states of media funding models, exploring challenges and future directions of media funding models, proposing recommendations for improving media funding. The result suggests that the current funding model has ensured the operation of the media industry while funding with more autonomy and democracy is capable of establishing a better news environment as well as a society with higher democratic resilience.

**Keywords:** funding model; media financing; financing journalism; crowdfunding; public funding; public service media.

## 1. INTRODUCTION

Due to the fast rate of development in information technology, Journalism is experiencing a sustainable economic crisis (Martin Scott, Mel Bunce & Kate Wright, 2010). According to Rosario de Mateo, Laura Bergés, and Anna Garnatxe (2010), the reason for the crisis of media is always illustrated as, lower advertising revenue, declines in the share price, less consumption, and higher unemployment rate. Moreover, the decrease in the decline in circulation and revenue causes reductions in journalistic staff (Dukic, M, Levak, T, 2018).

Consequently, funding the media system industry is inevitable and indispensable to ensure the sustainability of the journalism industry. Funding is a significant media-policy instrument which is also regarded as the correction of market failures (Kammer, A., 2016). Either the government or the market is responsible for subsidizing and funding media operations as they can hardly produce much wealth on their own (RG Picard, 2006). Meanwhile, Lewis A. Friedland and Magda Konieczna (2011) suggest that funding plays a significant role in both the state and the voluntary sector have played significant roles in supporting the U.S. media system, sketching its future direction, and being prepared for future crises and change.

Currently, there are already various ways to fund media including crowdfunding, non-profit and community funding, and so forth. These funding models provide opportu-

nities and fiscal assistance, whereas, through the overview of the continuous decline in the journalistic field, it is obvious that existing funding models are obsolete and less capable of catching up with the pace of digital progress (Glenda Nevill, 2014).

As a result, this paper aims to trace the evolution of the media funding model, We aims to investigate three media funding model: crowdfunding model, public funding model and license fee in Germany to evaluate the feasibility of current funding model and also give some recommendations toward the future funding model to build a more sustainable and democratic funding model.

## 2. THE HISTORICAL SHIFT OF MEDIA FUNDING

The rapid development of technology has made a significant change in the media funding model (Macnamara, 2010). Previously, the main sources of funding for the media system were advertisements. Keeping the news price low, the previous media industry attracts as many audiences as possible to seek funding from advertisement. The formation of this media funding system is due to the uninformed society with a lower speed of information transmission which results in less competition as well as the existence of monopoly (Mikko Villi and Robert G. Picard, 2019). While, as technologies developed, monopoly seems to be impossible in the journalistic field which

can be illustrated by the fact that digital news is less capable of engaging sufficient audiences to attract funding from advertisement.

Currently, various ways have been created in the face of the improvement of technology. According to Picard, (2014), sources of media revenue nowadays are overwhelming, from states to foundations, from crowdfunding to non-profit community funding. Funding innovations is the testify of improvement and significant changes on journalism even if there's still a lot to be done.

### 3. CROWDFUNDING

Crowdfunding is a way of media practitioners proposing their project to the public to pursue donation from readers' micropayments (Jian & Usher, 2014). Donors can be returned by various benefits including rewards, gratitude, or even profits from projects. According to Bradford, 2012; Mollick, (2014), there are four kinds of media crowdfunding models: model depend on rewards, equity, donation dependence model, or lending model. Apart from traditional ways of funding media model which has little transparency and donors will not know what their money will be used for, crowdfunding models allow readers to be engaged in the process of the whole project (M Carvajal, JA García-Avilés, JL González, 2012). Readers can freely choose the topic they are interested in, this principle has been praised for empowering audiences by giving them influence over the topics pursued by journalists (Andrea Hunter, 2015).

Despite the benefits mentioned above, it also includes some negative points. Exposing in the public represents the existence of free riders which means individuals are capable of consuming products that are generated by other people's contribution. Additionally, to attract investment, the journalists are prone to generate projects that cater to donors' and investors' favor. As a consequence, the accuracy and credibility of the media industry will be destroyed (T Aitamurto, 2011).

### 4. PUBLIC FUNDING

Currently, there's several country's media industries still receive partial funding from public sources. This is because public funding is capable of ensuring the survival of media and empowering citizens' communication rights. Additionally, the reason for receiving public funding from states is that journalism is regarded as a public good that brings the potential to improve and benefit the world (Sarah Stonbely, Matthew S. Weber & Christopher Satullo, 2020). Consequently, public funding seems to be an indispensable part of the funding model of media.

While, although public funding brings opportunities

for the prosperity of media. Its funding system is controversial. The major problem is the loss of democracy. Applying the public choice theory by James Buchanan, people often make choices in self-interest. The public will be more likely to subsidize the press and advocate for the government's image. Non-subsidized media by the public are found to be more thematically diverse and provide the reader with a more comprehensive reporting of regional governance (Manuel Puppis, Hilde Van den Bulck, and Etienne Bürdel, 2020)

### 5. THE SPECIFIC ROLES OF PUBLIC SERVICE MEDIA FUNDING MODEIS ON THEIR AUDIENCE IMPACT

The public funding model has been debatable and under huge pressure recently as more and more people become suspicious about the government intervention which they think will lead to unequal distribution of resources as well as market failure. According to Florian Saurwein, Tobias Eberwein & Matthias Karmasin (2019), the expansion of public service media on the internet which has brought it huge revenue has made more debate about its public value.

Despite this, the majority of people still perceive that the public service media who receive funding from the public will have higher credibility than those private media. The audience's cohesion in the public service media is much higher than that in private media (Florian Saurwein, Tobias Eberwein & Matthias Karmasin, 2019). As a consequence, although public funding is controversial, it is still the foundation of an individual's trust.

#### CASE STUDY

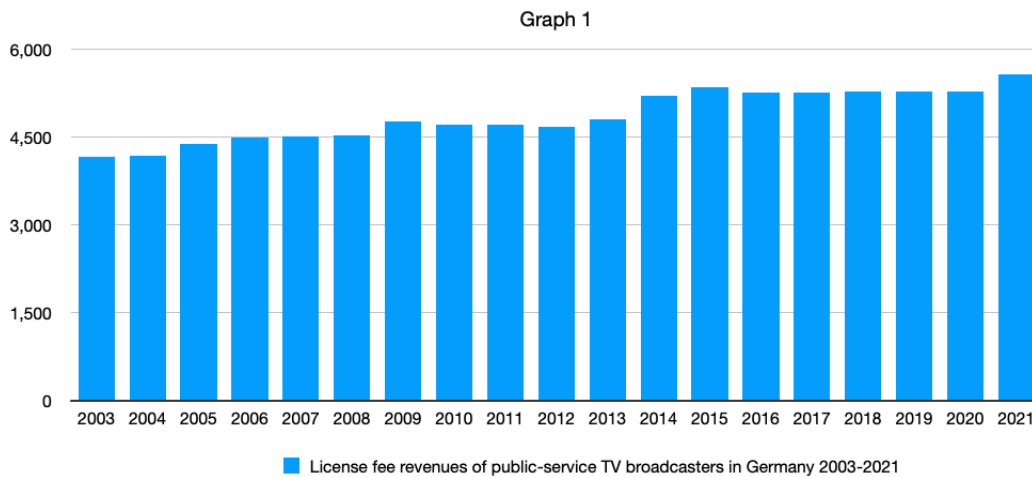
Public Service Media (PSM) in Germany assumes social responsibility, including the provision of educational, cultural, and information services to meet the needs and interests of the public. It is funded dominantly by Gebühreneinzug as well as GEZ. This is an institution established to receive license fees in Germany. Like many Western countries, license fees have become a substantial source of revenue for public service. For public service media's license fee, according to KA IBARRA, (2012), Persons in possession of televisions, radios, or other apparatus capable of receiving broadcast signals are obligated to remit the fee. In general, eligible individuals are required to pay the same.

The idea of the amount of the license fee is determined by Kommission zur Ermittlung des Finanzbedarfs der Rundfunkanstalten (KEF) in Germany which previously was an assistant institution to recommend the level of license fee in 1975. Nowadays, it has been empowered with

much more independence, and it also plays a role in protecting the democracy of the public service media. This institution is a manifestation of the autonomy and freedom of Germany's PSM (O Khabyuk, 2010)

Apart from the compulsory license fee, Germany's public service also has different sources of revenue including advertisement or financial investment. However, accord-

ing to O Khabyuk, these sources solely occupy a small proportion of its revenue as Germany has a strict limitation toward that funding. For example, advertisements can only be posted at a certain time in Germany's public service media. This means that license fees have become more and more indispensable in PSM's funding model.



However, this funding model also suggest some limitation. license fee only for public service media will arouse dissatisfaction from private media as they will have less financial power to compete with public service media. Public service media represents a higher authority and reliability compare to private media.

### SUGGESTION

Based on the funding models mentioned above, independence and democracy are all media funding models pursued. Donors' intervention has influenced the freedom of the press. Crowdfunding makes journalists prone to cater to investors' favor to attract donations, public funding will be more likely to be received by media that is beneficial to the government's image, license fee is only owned by public service media which means private media has less power to express opinion. This limitation will ultimately lead to a decline in credibility and authority in the media system. Consequently, the media funding model requires improvement.

Firstly, constructing a funding model that investors have less privilege to intervene in media projects. This can be achieved by diversifying sources of funding which means there will be an increase in regulators and supervisors. Various supervisors check and balance with each other, ideas only from one source will become less capable of being dominant and intervene in the independence of media. As a result, media can not only increase their source of revenue for deeper and higher-quality research but can

also reinforce their democracy as well as increase their credibility to audiences.

Secondly, states should increase their type of funding targets but not only limited to public service media. Private media also plays a vital role in information transmission, power supervision, public opinion guidance, social participation, and cultural inheritance. Based on the research shows that audiences will be more likely to rely on public funding media, public funding therefore should play a leading role in increasing diverse types of media's credibility. Different voices will enable the government to build a democratic media environment, and can also ensure the survival of private media as well as provide more employment in media.

Thirdly, states should distribute their subsidies more rationally and equitably as the unequal distribution will largely influence regions' development and the gap in media resources between developed and less developed countries. This can be achieved by increasing the transparency of the government's distribution of media resources, for instance, by publicizing the information yearly to supervise the distribution's fairness.

In conclusion, ways of increasing media's reliability can be suggested by either diversifying sources of funding or diversifying public funding's target, these methods are hopefully to contribute to improving media's current environment.

## 6. CONCLUSION

Through the research on the historical trend of the media funding model and three types of media funding models. This paper suggests that funding is vital in the development of media as it ensures the survival and provides opportunities for the prosperity of media whereas intervention from funding institutions has largely destroyed the independence of media. Crowdfunding is suggested to make the media less independent when journalists want to cater to the donor's favor, public funding can also be unequal due to the theory of public choice. The case study of the license fee funding model in Germany highlights that public funding is capable of increasing credibility while unequal allocation of public funding will lead to less power to private media.

These three funding models' limitations show that no single funding model currently can address all needs and demands of media, ensuring the sustainability of all types of media, and providing a perfectly democratic media environment. Consequently, this paper recommends that a democratic news environment can be constructed by diversifying sources of funding or increasing the target states to fund. By applying to a higher efficient funding model, media organizations can navigate the challenges of the digital age and emerge stronger and more resilient than ever before.

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