

## CAN ISLAMIC CROWDFUNDING UNLOCK NEW OPPORTUNITIES FOR ISLAMIC BANKING IN MALAYSIA?

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## ABSTRACT

In recent times, digital crowdfunding has become a popular financial platform for funding thanks to financial technology and globalization through the internet. These platforms have become a viable financing alternative for so-called unbankable groups, including micro and semi-medium enterprises (SMEs). It is argued that crowdfunding can become a practical alternative to the role of banks as financial intermediaries. This study therefore analyses the potential prospects of Islamic crowdfunding in Malaysia as a complement to the Islamic banking sector. Through a qualitative design, this study utilises semi-structured interviews with experts and practitioners in the field of Islamic banking and crowdfunding. The data were then analysed thematically. Although the future relationship between Islamic crowdfunding and the Islamic banking sector is not clear, this study argues that Islamic crowdfunding will not be a substitute for the Islamic banking sector, but rather could be a complement to Islamic banks. In this regard, it makes sense to build a strategic partnership and co-operate with each other to provide benefits to both sides. Future research is recommended to further advance the exploration of Islamic crowdfunding, as there is still much to improve and this new industry faces issues and challenges of potential significance. At the same time, both institutions can enter into a strategic partnership and work together to achieve benefits for both sides. Even though the result of this research does not reflect the whole country, it contributes to a better practise of both Islamic crowdfunding and Islamic banking.

## Introduction

The global financial crisis of 2008 had a huge impact on the banking sector as institutions became more cautious and increasingly reluctant to lend or finance. This has impacted the global economy as banks have started to stop supporting startups (Hendratmi et al., 2019). In response to this funding gap, many alternative financing options have emerged. One of these is crowdfunding, which has become a digital alternative platform for financing micro, small and medium-sized enterprises (MSMEs) in particular (Rahim et al., 2018). In fact, crowdfunding has grown steadily over the past decade as a phenomenon where entrepreneurs seek to obtain funding for their businesses directly from a potentially large audience (Schwienbacher & Larralde, 2012). The evolution of financial technology providers combined with globalization and the development of the internet, particularly social media, is the root cause of this growth and has fuelled the emergence of this new alternative that better meets the needs of entrepreneurs for quick and convenient access to finance. The core elements of crowdfunding are the technology, the crowd and the fundraising, which allow many small projects to add up to a large financial outcome (Beaulieu, 2015). The accelerated development and progression of these new financial activities may affect the traditional lending models of banking institutions (Cortina & Schmukler, 2018). Therefore, some parties believe that with the accelerated development and progression of this new industry, modern digital crowdfunding may become a practical alternative to the role of banks as financial intermediaries in the near future, including Islamic banking that serves both deficit and surplus entities. Moreover, as a bank account is mandatory to perform many FinTech services, it would be difficult to imagine FinTech industries completely overtaking banks and penetrating the current niche of accounts (Cortina & Schmukler, 2018).

However, since Islamic crowdfunding is still new, the question remains as to what extent it can be an alternative to the Islamic banking sector. In Malaysia, where the Islamic finance sector, including banks, capital market, and non-banking institutions, still lags behind the dominance of conventional finance, can Islamic crowdfunding contribute to Islamic finance, especially in supporting Islamic banking in terms of providing Shariah-compliant financing activities? Like conventional banking, Islamic banking institutions are also driven by profit orientation. As a result, both are reluctant to serve unbankable groups, especially micro and medium-sized enterprises (MSMEs). With this in mind, this study aims to analyse the future prospects of Islamic crowdfunding and its potential relationship with Islamic banking institutions in Malaysia, particularly to strengthen the current Islamic finance sector which is still new compared to its conventional counterpart.

To achieve this objective, this study utilises a qualitative approach by employing a semi-structured interview as a data collection technique. The aim of this interview was to obtain first-hand information and gain a clear understanding of the interviewees' perception on Islamic crowdfunding based on their knowledge and experiences as well as their thoughts on related issues. As such, this study contributes to the growth of knowledge regarding the future of Islamic finance, especially enriching the literature on the field of crowdfunding, which is still limited. Furthermore, it sheds light on how Islamic banking and Islamic crowdfunding can form a strategic partnership and work together to contribute significantly to the growth of Islamic finance in Malaysia.

## Literature Review

### *Crowdfunding*

Since the 2000s, crowdfunding has become one of the popular means to gain capital for startups and MSMEs. Although crowdfunding may sound like an innovative idea, its concept has been practiced for a long time in various cultures (Gierczak et al., 2016). The modern crowdfunding practice looks similar to the idea of 1700's Irish Loan Fund, the Credit Union in 1846, or fundraising of the Statue of Liberty in 1875 (De León & Mora, 2017; Guinnane, 2001; Hollis & Sweetman, 2001). In 1846, Herman Schulze-Delitzsch funded a collectively owned bakery and mill because of food shortage in Germany. Six years afterwards, he took that idea of supportive possession in conjunction with Friedrich Raiffeisen and transformed it into finance by establishing the earliest credit union. It was a non-profit bank that obtained the funds from its members, who also owned voting power in the union (Guinnane, 2001).

The idea of “crowd” in credit unions is shown in the contribution of the members who deposit their money with the bank and get paid interest from the loans. Meanwhile, the Statue of Liberty was a gift given by France to the United States. Unfortunately, the New York government was unable to provide the cost of \$250,000 for the statue plinth. As a response, Joseph Pulitzer, a well-known publisher in New York, launched a fundraising campaign through his newspaper. Within three years, 1,000,000 francs were successfully collected and funded by individuals and companies (Abdullah, 2016).

Nevertheless, modern crowdfunding is always referred to as online fundraising due to the emergence of the Internet. According to Wahjono et al. (2015), modern crowdfunding began in 1997 when a popular British music band, Marillion, released their seventh album but could not afford their tour to the USA. As a response, their fans in the USA contributed \$60,000 through the Internet in order to support the band’s travel. Since then, the band used the same techniques to fund their three albums. Meanwhile, the term “crowdfunding” was first used by Michael Sullivan when he launched the “Fundavlong” project. This, however, was a failed attempt to fund events and projects related to a video blog (Meric et al., 2016).

In 2001, the first crowdfunding website, known as “Artistshare”, was established (Amuna et al., 2017). This platform was launched with the objective of supporting musicians by soliciting small donations from their most enthusiastic supporters so as to produce online recordings (Freedman & Nutting, 2015). As for entrepreneurs, the earliest possible crowdfunding platform is Kiva. Launched in 2005, it is widely recognized as the first crowdfunding for entrepreneurs. It is claimed that the term crowdfunding has become popular due to the 2008 global financial crisis, coupled with internet globalization and the evolution of financial technology that has dramatically grown the crowdfunding industry. Wahjono et al. (2015) stressed that globally, over 500 active online crowdfunding platforms emerged in 2012, including “Indiegogo” in 2008, “Kickstarter” in 2009, and “Fundable” in 2012. In 2012, crowdfunding projects have successfully raised more than £1,000,000.

Consequently, many crowdfunding platforms have been established in the recent decade. These platforms have provided funding for several sectors, such as films, music, and charity projects, as well as a platform for raising funds for newly born startups. It is reported that in 2023, the global crowdfunding market was valued at USD 1.41 billion, and it was predicted to double by 2030. Since 2023, more than 592,000 projects have been launched on Kickstarter, one of the most popular global platforms (Statista, 2023). Globally, entrepreneurs take advantage of crowdfunding for project finance, growth, and development. Since 2012, the crowdfunding market has rapidly developed, and it has never ceased to stimulate annually. In light of recent events concerning the market and industry of crowdfunding, it is quite obvious that crowdfunding has remained globally accepted, establishing worldwide awareness. In addition, crowdfunding is speedily growing as a substitute means of funding in the era of the Internet. Within a decade, it has experienced exponential growth from a very small practice to a big industry (Marom, 2020). Consequently, a wider community can be reached with crowdfunding without geographical barriers. By its nature, it supports society’s contribution to growing businesses where there is a vast possibility for crowdfunding to add value to the world in a very unique way.

While crowdfunding serves one purpose: providing funding, it is varied in terms of types, which can be categorized into four models: donation and reward-based crowdfunding, where funders channel their money without intending any financial return, rather than just for the sake of social contribution. The reward-based crowdfunding is slightly different when tokens of small gifts are provided for appreciation for funders (Salido-Andres et al., 2019). Another two types of crowdfunding are reward and lending. Both funders for these two types of crowdfunding are expecting financial returns. While equity-based crowdfunding acts like a stock market where investors buy a share of a private business, lending-based crowdfunding is similar to a banking operation where funders lend their money for a project. Based on all types, equity-based crowdfunding is recognized as the fastest-growing form of crowdfunding model, which has gained more attention across the globe. Meanwhile, this model is also supported by the government due to its role in supporting startups and MSMEs that face difficulties in obtaining financial aid from financial institutions (Biancone & Secinaro, 2016). Lending-based crowdfunding is widely known as P2P lending, where the platform provides options for lenders to select any project launched by entrepreneurs, either in the form of interest or non-interest-based loans (Suleiman, 2016). As for donation and reward-based models, both are still relevant in supporting small business projects or young talent ideas.

Based on the literature, several advantages of utilizing crowdfunding are identified as follows:

- (i) Merging entrepreneurial finance with the social web: Mainstream banking institutions obligate enterprises to hold lots or plenty of meetings in an attempt to seek funds, which is highly unproductive (Valančienė & Jegelevičiūtė, 2013; World Bank, 2013). As a result of integrating access to information on available investment chances, crowdfunding platforms can link startup enterprises to potential investors faster than the traditional approach (Jenik, Timothy, & Nava, 2017).
- (ii) Promising investments: Crowdfunding allows investors to explore various promising investments available on its digital platform. As a result, they can save time when they can easily find a company that is well-suited to their sense of adventure, portfolio strategy, or other conditions (World Bank, 2013).
- (iii) Product validation and market testing: Crowdfunding can provide validation as well as a social response towards products and business projects (Ishak et al., 2021). Startup enterprises may use crowdfunding with the aim of exploring the feasibility of their products and marketing strategy through online crowdfunding campaigns (World Bank, 2013). Crowdfunding can act as a fantastic tool for a startup to test their idea, obtain funds, and gain the visibility that they may need to expand (Khairuddin & Ishak, 2023; Khairudin & Ishak, 2021). The crowdfunding platform can provide an opportunity for businesses to search demand for their services or products. If the businesses match their financing target, they have access to the funds required for their preliminary services or product launches (Golić, 2014). From the perspective of the investor, the authentication and endorsement from the public can mitigate the risk of investment by signifying a request for the service or product (World Bank, 2013).
- (iv) Removing geographic barriers to investment: Another great benefit of crowdfunding is the elimination of geographical obstructions to investment, which entails that networks do not need to be tied to geography, and geographical differences between the investor and the entrepreneur do not play any role (World Bank, 2013). Even though Di Pietro (2011) discovered in their study that there is some proof of favoritism in some parts of donation-based crowdfunding, geography plays a less important part in the financing of potential businesses. Conversely, crowdfunding allows individuals to participate in their societies and hence make contributions to sustainable economic growth. Many enterprises will focus on the project within their geographic region but will attempt to raise funds internationally (Valančienė & Jegelevičiūtė, 2013). In conclusion, this implies that crowdfunding benefit is revealed from the point that it provides an opportunity for local ventures to entice international investors (Golić, 2014).

Nevertheless, there are several disadvantages to utilizing crowdfunding:

- (i) Unsuccessful campaigns: While crowdfunding is well known for its ability to generate a large capital from investors, not all campaigns are successful in reaching their goal. Unlike big projects, crowdfunding is designed for small-scale projects that do not easily reach targets, even though it may attract many investors since every contribution is relatively small (Ramos & Stewart, 2014).
- (ii) Failure of the project: The project was launched as a crowdfunding campaign, mostly launched by new entrepreneurs. On the one hand, crowdfunding removes the bureaucracy that they need to apply to finance, as it becomes an opportunity to set up a business. On the other hand, due to inexperienced entrepreneurs, coupled with a lack of screening process, some projects may end up failing.
- (iii) Fraud project: Even though crowdfunding is characterized by transparency, it does not mean its platforms are immune to fraudulent campaigns. In more detail, crowdfunding enables investors to directly connect with entrepreneurs through its platform, which makes it easy for scammers to exploit naive investors or first-time investors (Saiti et al., 2018).

In principle, crowdfunding can be part of Islamic finance as far as its activities are in line with Shariah rulings. While crowdfunding shares the same spirit of Islamic finance in terms of promoting wealth circulation within society and improving socio-justice, its operation must comply with Shariah rulings. Equity and lending-based crowdfunding, for example, must ensure their instruments are free from the element *riba*. As for donation and reward-based crowdfunding, even though many argue that there should not be Shariah issues due to its charity basis, certain technical aspects need to be considered, like utilizing some part of the fund as a management and promotion fee.

### ***Islamic Crowdfunding and Islamic Banking in Malaysia***

It is globally recognized that Malaysia is one of the leading countries in the Islamic finance sector. This country is a pioneer in many aspects, including establishing the first Islamic money market for Islamic banking institutions and introducing a comprehensive regulatory framework through IFSA 2013. In regard to Islamic banking, it is considered the most advanced industry within the Islamic finance sector. Through close supervision from the Central Bank, many enactments and policies have been established to support the Islamic banking sector and safeguard its clients (ISRA, 2011). Since 1983, when the first Islamic bank was introduced in Malaysia, this industry has witnessed dramatic progress in terms of the number of players and equity possession in the whole banking sector.

Despite all of these achievements, Islamic banking products have been criticized as similar to conventional banking institutions. This is due to Islamic banking approaches that prefer to replicate conventional products to be Islamic ones. As a result, the impact of Islamic banking seems to be similar to that of its conventional counterparts. At the same time, like conventional, Islamic banking institutions are selective in terms of supporting micro and semi-medium entrepreneurs (Aderemi & Ishak, 2023).

In this regard, Islamic crowdfunding can play a significant role in filling this gap. Recently, crowdfunding in Malaysia has obtained much attention from many parties, including regulators, investors, and entrepreneurs, as new viable funding, particularly for startups and SMEs. The Securities Commission Malaysia (SC), for example, has issued a regulatory framework for equity-based crowdfunding platforms to ensure their practice is transparent and protect the interests of investors.

Equity crowdfunding (ECF) and Peer-to-Peer (P2P) lending platforms are the most popular forms, providing businesses with access to capital while allowing investors to diversify their portfolios. This supportive environment has led to a steady increase in the number of crowdfunding platforms and the amount of funds raised. Among the established crowdfunding platforms in Malaysia are Ethis Venture, PitchIN, and Ata Plus. The growing popularity of crowdfunding in Malaysia can be attributed to its ability to democratize access to finance and foster innovation. Overall, crowdfunding in Malaysia is poised for continued growth, driven by regulatory support, increasing awareness, and the evolving financial landscape.

With respect to Islamic banking, crowdfunding platforms are not totally new. This can be observed after the introduction of value-based intermediation (VBI) by the Central Bank of Malaysia in 2017. A few charity-based crowdfunding websites have been launched by several Islamic banking institutions, such as Maybankheart, owned by Maybank, and the Jariah Fund, run by Bank Muamalat Malaysia Berhad. At the same time, the MyWakaf platform has been introduced by the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) as a collaborative platform between state religious councils and Islamic banking institutions to fulfil the needs of society through waqf fund (Ishak, 2023). Nevertheless, all of this crowdfunding is in the form of donations and charity activities rather than providing financing to startups or MSMEs.

## Methodology

Regardless of the field of study, a research design is the most vital element (Creswell, 2012). This study utilizes a qualitative approach by adopting a semi-structured interview as the technique to obtain data. This interview was designed to obtain fresh data from seven interviewees regarding their knowledge and experiences of Islamic crowdfunding and Islamic banking. This would be with the purpose of achieving the objective of this study. In this study, interviewees are selected based on their knowledge and positions. Thus, purposive sampling is considered the most suitable approach instead of looking for the sample on a random basis (Etikan et al., 2016). All interviewees are listed as the following:

**Table 1:** List of interviewees

Interviewees	Academic background	Position in crowdfunding / Islamic banking
1	PhD	Advisor
2	PhD	Advisor
3	PhD	Advisor
4	Degree	Executive
5	Degree	Executive
6	Degree	Executive
7	Degree	Executive

To ensure the reliability of the data, the interview questions were sent to all interviewees two weeks before the interview was conducted. At the same time, all those questions are standardized, as every question represents every issue. This is vital to ensure all interviewees understand the context of the questions properly so that they are able to share the best answers. In addition to that, with the aim of mitigating errors during the interview, all the information was recorded, and then it was immediately transcribed before confirming them with interviewees to avoid serious errors.

Subsequently, data analysis was conducted as the researchers began by listening to the data recorded and then transcribed it into written form. This would enable the researchers to interpret the data based on thematic analysis. Thematic allows for the proper organization and classification of data. As a result, the process of searching for critical themes and meanings would be easier and more efficient.

## Results and Findings

### *Islamic Crowdfunding as a New Alternative Funding*

#### *Islamic Crowdfunding is Gradually Penetrating the Financial Market*

There is no doubt that crowdfunding has already emerged as an important force in global finance, one which appears here to stay. Based on the interview conducted, the majority of the interviewees perceived that the potential future for Islamic crowdfunding in financing is generally promising. It will definitely dominate the economic movement by taking over the financial market as an alternative means of funding businesses and, most especially, micro-enterprises, which are facing difficulties in getting funds from formal traditional institutions. Interviewees 2, 3, and 5 had this to say:

...Definitely, crowdfunding is not a fad, and it is clear that the future is very bright for Islamic crowdfunding as (it comes to be) a new stream of financing micro-enterprises; it will totally take over the financial market as an alternative means of funding businesses.

...As we can see, there is a great prospect, especially in Malaysia, where most of the investors prefer to invest in Shariah-compliant platforms and also in social finance because there is a harsh to invest in social business.

...As we can see, there is a great prospect, especially in Malaysia, where most of the investors prefer to invest in Shariah-compliant platforms and also in social finance.

According to the interviewees, regarding financing micro-enterprises, the nature of small and micro enterprises, which basically operate on small loans and are subjected to many risks, has made it difficult for mainstream financial institutions to continue financing them without stringent procedures and rigorous documentation.

Nevertheless, some of the interviewees elaborated on their concerns over the future of Islamic crowdfunding. It was claimed that there are still some features where Islamic crowdfunding is lagging behind, and thus, these must be adjusted in order for this new way of funding to be completed as an alternative finance means for small and medium enterprises. Several features were suggested to be taken care of with the aim of ensuring that there is security for the future of Islamic crowdfunding. This includes the secondary market, crowdfunding governance, and close monitoring. Interviewees 1, 4, and 6 asserted that:

...There is a good future, but also there is a question on the governance, the issue, the risk, and so on...

...The only thing crowdfunding is lacking now is the secondary market; once it can be done, then no problem concerning the future of Islamic crowdfunding.

...There is a good future, but still, a lot needs to be done, especially from the regulator's perspective, to regulate this section.

### ***Islamic Crowdfunding is Part of Fintech, which Gives Hope for the Future***

Islamic crowdfunding is a part and parcel of financial technologies. It is giving this new institution an opportunity to grow day by day as a means of financing. Saiti et al., (2018), in their treatise, revealed that Islamic crowdfunding is still very small but is gaining ground with the formation of an Islamic FinTech Alliance. There was a strong agreement among the interviewees that Islamic crowdfunding is leveraging financial technologies to reduce the cost of financing and hence shift the interest of entrepreneurs to it as they consider it to be an alternative means of financing. Regarding this, interviewees 4 and 5 stated that:

...When it comes to financing or funding, crowdfunding is leveraging on financial technologies (FinTech), and it is a new way of financing; that is why they categorize it under alternative financing, and FinTech is where society belongs now.

...With financial technologies that crowdfunding can be integrated with, it is easier to track and trace their business performance and bring easier ways to repay the loan. This will go a long way in determining the future of crowdfunding because this is the new normal.

Meanwhile, according to the interviewees, using financial technology can make all forms of transactions easier, faster, and more effective at the same time without the need for mutual dependence on operations. As a result, there will be a positive influence on the development of financial inclusion in society.

### ***Islamic Crowdfunding and Islamic Banking can form a Strategic Partnership***

#### ***Islamic Crowdfunding would only be a Competitor to Islamic Banking***

The interviewees were asked whether this revolutionary industry could be regarded as being friendly to the banking industry or as a threat in the near future. Islamic banks have always had to choose to collaborate, compete, or ignore Islamic crowdfunding. Some of these interviewees see crowdfunding from a competitor's perspective as they experience it. Interviewee 6 had this to say:

...Of course, moving forward, Islamic crowdfunding can be an alternative for mainstream financial institutions and the banking sector. They are coming up with a digital banking system, and then, they will be a new competitor for the banking industry with regards to the financing of micro-enterprises...

Another interviewee, in his opinion, feels that Islamic crowdfunding is growing fast, and the interest in micro-enterprises is shifting toward using this means of financing to cater to their businesses. However,

rather than this being a threat to Islamic banking, he views it as a competitor that will boost the mainstream financial institution's growth. Interviewee 4 stated:

...Mainstream financial institutions like banks will be the ones to benefit from crowdfunding because if you crowdfund, the money still goes to the banks; it's not a threat, actually. It will actually boost even more the financial institution growth whereby more money comes in, and more transactions happen...

In spite of this, interviewee 1 feels that Islamic crowdfunding cannot survive without help from the banking industry, so crowdfunding must collaborate with the banking industry for the reason that the collaboration will develop this new stream of financing. Interviewee 1 stated that:

...What I think is that they will work together collectively, and with collaboration, crowdfunding will grow because crowdfunding cannot do without banks as at present and even in the cashless future we are heading to. I still believe it won't be a threat.

### *Islamic Crowdfunding is not a threat to Islamic Banking*

Islamic crowdfunding appears to be filling a gap for micro-enterprises who find it difficult to obtain funds through the traditional banking industries, and the future appears to be bright for this new means of financing. Meanwhile, the interests of some entrepreneurs seem to have begun to shift to the use of Islamic crowdfunding for its efficiency in usage and easy accessibility. Some interviewees believe that Islamic crowdfunding has played a role in the areas that bank institutions used to exploit, such as financing micro-enterprises. However, right now, the bank is no longer interested in it. According to them, Islamic crowdfunding is a better option for micro-enterprises to explore for the reason that the mainstream financial institutions require that few procedures are passed through and countless documents are submitted before a loan can be given out. Interviewee 3 stated that:

...If the concentration of the micro-SMEs, banks, or the big cooperate banks are not interested in that sector so, crowdfunding is not a threat or even a competitor.

On a similar note, another interviewee believes that the bank is not really in competition with the crowdfunding institution, as crowdfunding provides financing at a different phase in a business's development. At the same time, crowdfunding focuses on the capital market, and this is different from the focus of the banking industry. In addition to this, in most countries, the two institutions (crowdfunding and banking) are regulated by different regulatory bodies, and there is a suggestion that crowdfunding and banks can form a strategic partnership even though there will be a common link between them. Interviewee 5 had summed this up in his commentary:

...When you see the way crowdfunding is being regulated, they have a different regulatory body, so they are not in competition, not to talk of crowdfunding being a threat.

Another interviewee held the opinion that Islamic banks should rather perceive this as an opportunity for them to diversify their investment portfolio, which will serve as a great opportunity for the two industries. Interviewee 2 stated that:

...To me, the banking industry will also see a (sic) FinTech and crowdfunding as another means for them to diversify their investment portfolio.

The banking industry needs to adapt to the new reality that a growing number of consumers need a more straightforward and easy-to-use financing mode. Therefore, Islamic banks will have to collaborate, compete, or ignore Islamic crowdfunding.

## **Discussion**

It is obvious that soliciting finance or looking for other fund investments is the most excruciating and distressing procedure that micro-enterprise owners have had to pass through, especially in the initial phases of their businesses. For instance, there are more than a few procedures to pass through and countless documents and records to prepare for that process. However, the crowdfunding financing system provides additional flexibility for the process of the fund obtained by micro-enterprises, which simply



need to choose a crowdfunding platform that bears their campaign purposes and motive, then make contacts with the chosen platform, list them out, and go in with their project's professional objective. With an influential message, they make attractive video content to please potential investors and to state some attractive profits.

Despite global recognition, modern Islamic finance is accused of not contributing enough to socio-economic development, similar to its conventional counterpart. In addition, their financial instruments are designed to be debt-based for the sake of secured return for shareholders and depositors, rather than ECF, which promotes risk-sharing between involved parties. Nevertheless, many efforts have been promoted to ensure IFIs are more concerned, for example, the introduction of Value-Based Intermediation (VBI) by the Central Bank of Malaysia to re-orient Islamic finance towards realising the objectives of Shariah (Mahadi et al., 2019). This is achieved by generating a positive and sustainable impact on the economy, community, and environment through practices, processes, offerings, and conduct (Syed Alwi et al., 2021).

Based on the findings and remarks from interviewees, the development of crowdfunding generally as a new corresponding and alternative means of funding is undeniable, especially for so-called underbanked groups. Additionally, it is worth mentioning that crowdfunding as an alternative finance has turned out to be a vital part of the mainstream financial markets. Nevertheless, some of the interviewees elaborated on their concerns over the future of Islamic crowdfunding. It was claimed that there are still some features where Islamic crowdfunding is lagging behind, and thus, these must be adjusted in order for this new way of funding to be completed as an alternative finance means for small and medium enterprises. Several features were suggested to be taken care of with the aim of ensuring that there is security for the future of Islamic crowdfunding. This includes the secondary market, crowdfunding governance, and close monitoring. Marom (2020) stated that crowdfunding is speedily growing as an alternative finance and new funding model for this era.

The information gathered via the interview indicates that crowdfunding is developing speedily and never ceases to be evolving. This signifies a transformation in finance because securities laws have finally been allowed to correspond with the way in which the modern life of today is online and in the Internet age. Financial technologies generally come with different benefits for Islamic finance, especially concerning the implementation of Islamic finance contracts. Most of the interviewees highlighted that Islamic crowdfunding is part and parcel of FinTech, which is something that has become a hot topic today in the business arena, including banking institutions. Considering the trend of technology and social media, it is fair to agree that Islamic crowdfunding will be more attractive in years to come. Apparently, the main importance of the Islamic crowdfunding scheme being leveraged on FinTech is that it plays a significant role in reducing the costs of transactions and taking down the bar to kick off a campaign fundraising effort. This correlates with the fact that FinTech, as claimed by Lacasse et al. (2016), is generally active, flexible, comprehensible, swift-flowing, and on top of that, all-efficient. This is because FinTech takes advantage of current digital technologies in its use, as it offers banking services in more convenient ways, costing less to provide and much more enhanced for digital networks.

Previous data analyzed revealed that in the near future, Islamic crowdfunding will grow into a progressively significant financing source of non-bank financing. However, it learned that while Islamic crowdfunding is an opportunity for traditional players, the stage at which Islamic crowdfunding is applicable is not so much the stage in which Islamic Banks have been interested traditionally, so specifically, this poses a massive opportunity for them. For example, several contracts are reluctantly offered by the Islamic banking sector, such as the contract of *mudharabah* (Ishak & Rahman, 2021) The factors that contribute majorly to the development and advancement of crowdfunding generally are both the global financial crisis in the markets occurred in 2008 which led to tightening the funds competence and creditworthiness requirements for financial institutions, and the outburst adoption and usage of Internet, which collectively have given the possibility to gain huge crowds of potential investors at a reasonable cost (Aderemi & Ishak, 2023).

Islamic banking could form a strategic partnership with crowdfunding with the purpose of offering customers with micro-enterprises an alternative route to fund their businesses. It is imaginable that Islamic crowdfunding could eventually replace some of the formal financial banking roles for debtors and investors in the near future. However, knowing that the institution is quite in the initial phases of development, questions remain over whether Islamic crowdfunding has what it takes to overthrow the banking industry if the two industries would work together as strategic partners. Two benefits can be identified:

- (i) Strengthening the Shariah governance: While crowdfunding has become a new trend due to demand and technological innovation, the Shariah monitoring aspect for crowdfunding platforms is relatively new (Haniff et al., 2019). Unlike banking institutions, which the Central Bank has strictly monitored, Shariah's observation of Islamic crowdfunding seems to be lenient. The lack of Shariah governance could threaten the fund and affect public confidence. Thus, Islamic crowdfunding can get support from Islamic banking to empower its Shariah governance and Shariah monitoring aspects.
- (ii) Collaboration for empowering Islamic social finance: Crowdfunding has gained the attention of entrepreneurs for providing financing for them through FinTech (Baber 2019). In this regard, Islamic crowdfunding can collaborate with Islamic banking institutions to provide social entrepreneurship microfinance. This can be realized through blended financing where Islamic social funds like infaq, zakat, and waqf and investment can be integrated. Islamic banking could support the terms of the due diligence process, while crowdfunding can promote the project or business. This collaboration can benefit both Islamic banks and crowdfunding, which will make fruitful ground available for new growth. In addition, establishing partnerships with crowdfunding platforms will allow the banks to learn more about crowdfunding and how it works. Therefore, direct entrepreneurs better in how they can fund their projects.

## Conclusion

This study explores the potential future prospects of Islamic crowdfunding and how it can play a complementary role in the Islamic banking sector. The future of the Islamic crowdfunding industry is bright. The most important factor for the acceptance of this alternative form of financing is the fact that Islamic crowdfunding is efficient and funding is easy compared to other financial institutions. This makes it a better alternative for MSMEs that are considered too risky by mainstream financial institutions. Moreover, Islamic crowdfunding is an integral part of Islamic FinTech, which is considered to be fast-growing and will bring a bright future to the financial market. The future prospects for Islamic crowdfunding as a new means of financing, especially for micro-enterprise financing, are therefore very promising, as it is able to overcome financial bottlenecks that hinder the growth of small and medium-sized enterprises.

With the advantages of Fintech, Islamic finance can compete on level pegging with conventional finance and will cut the mustard. To achieve this, crowdfunding would certainly be a unique, revolutionary core element in this institution, but so far it has disrupted financial methods. Based on the qualitative exploratory method, although the future relationship between Islamic crowdfunding and the Islamic banking sector is not clear, this study argues that Islamic crowdfunding will not be a substitute for the Islamic banking sector, but rather could be a complement to Islamic banks. In this regard, it makes sense to build a strategic partnership and co-operate with each other to provide benefits to both sides. Future research is recommended to further advance the exploration of Islamic crowdfunding, as there is still much to improve and this new industry faces issues and challenges of potential significance.

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