

**Would Muslim Entrepreneurs Use Shariah-compliant Equity-based Crowdfunding
Model for Financial Sustainability?
A Case Study on Malaysia**

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Abstract

The rise of equity-based crowdfunding is expected to offer a new gateway for Muslim entrepreneurs given its similarity with risk-sharing concept as per the Shariah principles. Malaysia is the first country in Southeast Asia to legislate and award equity-based crowdfunding licences in June 2015. Accordingly, this study aims to propose a Shariah-compliant equity-based crowdfunding (SCF) model and analyse the acceptance level of Muslim entrepreneurs to use it in raising new funds. Based on primary data collected on 411 Muslim entrepreneurs in Malaysia, this study analyse the data using Structural Equation Modelling by adopting Technology Acceptance Model. It is found that perceived usefulness and perceived ease of use have positive effect on behavioral intention to use the proposed SCF model. Similar significance and positive results are found between perceived usefulness and behavioral intention to use the proposed SCF model. Hence, it is concluded that the respondent's perceptions on the usefulness and ease of use positively affect the behavioral intention of using the new model. Taking the lead in Shariah-compliant crowdfunding research, this paper aims to contribute to the blueprints for the market players and regulators with regard to offering of SCF particularly in Malaysia.

Keywords: Shariah-compliant equity-based crowdfunding, Technology Acceptance Model, structural equation modelling

JEL classification: G20; I30

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1. Introduction

The power of a united crowd should never be underestimated. It is through that union that crowdfunding becomes one of the most useful mechanisms to raise funds from all over the world. Inspired by the concept of micro-finance and crowdsourcing (Poetz and Schreier, 2012), crowdfunding has drawn the attention of various parties due to its growth potential and promptness in capital raising for new businesses. The Securities Commission of Malaysia defines crowdfunding as;

"an umbrella term describing the use of small amounts of money, obtained from a large number of individuals or organisations, to fund a project, a business or personal loan, and other needs through an online web-based platform"

The reason why crowdfunding is getting the world's attention is due to the fact that it is particularly useful to support the development of new ideas and initiatives that cannot be funded by traditional financing from financial institutions. This is especially in the case of small and medium enterprises (SMEs) that have just ventured into businesses. According to Ata, A., Shukla, M. & Singh, M. (2012), only 32% of SMEs had received loan from financial institution, compared with 56% of large firms. As such, crowdfunding provides an alternative source of funding for the self-employed, freelancers, and creative persons who usually do not have sufficient collateral or regular income streams.

There are currently 452 crowdfunding platforms active worldwide as at April 2012 centred in North America and Western Europe, successfully funded more than one million campaign and had raised almost USD\$1.5 billion (Crowdsourcing LLC, 2012). Generally there are four main models of crowdfunding namely the equity-based and lending-based which are mostly effective for digital goods (e.g., software, film and music) while the other two are donation-

based and reward-based for cause campaigns or community based that appeal to funders' personal beliefs and passions. Out of these models, Mollick (2013) highlights that the equity model is still relatively rare worldwide, making up less than 5% of all crowdfunding investment. Table A in the Appendix provides detailed explanation on the different types of crowdfunding. As at 2015, the value raised via crowdfunding reached USD34.4 billion in 2015 from USD2.7 billion in 2012 while in Asia, crowdfunding volume increased by 324% to USD3.4 billion during the same period (Massolution, 2015).

In Indonesia, Ibrahim (2012) proposes the use of crowdfunding including the detail business model deemed to be suitable to support small and micro businesses. This study presents the business model canvas and leads in highlighting the importance and possible application of crowdfunding for microfinance in Indonesia. Nonetheless, a Singaporean based company called Ethics Pte, has penetrated the Indonesian market and raised S\$2.5 million to finance buyers of affordable homes in Indonesia and has been offering its services that are in compliant with Shariah principles.

As for Malaysia, the awareness and acceptance level on crowdfunding is still low, both from the perspective of the entrepreneurs and investors (Asian Institute of Finance, 2017). There are many issues associated with crowdfunding in Malaysia, given that it is still at its infant stage. The validity of the new business venture, the mechanism of crowdfunding and whether existing projects could ultimately deliver the promised products are some of the issues of concern. Started out as reward crowdfunding, pitchIN and MyStatr were among the pioneers in Malaysia offering the avenues for the small enterprises and business start-ups to raise their funds.

On the other hand, Marzban, S., Asutay, M. and Boseli, A. (2014) has emphasised that equity crowdfunding represents a significant opportunity to deliver the essential expectations from

Islamic finance by combining the benefits of social development and investment opportunities for a wide range of entrepreneurs and investors. In the Europe, Vulkan, N., Åstebro, T., & Sierra, M. F. (2016) highlighted on the main difference of equity crowdfunding include a) a much higher average amount pledged; b) a much higher average campaign goal, steadily increasing over time and lately approaching the size of first round investments for venture capitalist¹; c) the existence of (pre-money) valuation of each of the projects, and d) the clear goal of the backers to obtain a positive monetary return on their investment, which appeared to be suitable for SMEs.

In conjunction with that, Malaysia has taken a bold step to issue six new licences on equity crowdfunding platforms in June 2015 that would allow the entrepreneurs to raise capital up to RM3 million within a 12-month period. Among the approved equity-based crowdfunding platforms are Alix Global, Ata Plus, Crowdonomic, CrowdPlus.asia, Eureeca, and pitchIN. As at June this year, 64 successful equity crowdfunding campaigns was recorded with RM54.91 million raised based on 63 successful issuers (Securities Commission, (SC), 2018).

Muslim entrepreneurs are now having more alternatives to seek for funding apart from the traditional mode of financing, and are also Shariah compliant. It is believed that the potential of Islamic crowdfunding is huge, particularly if it stays true to, and focuses on Islamic values such as profit and loss sharing. With over 1.6 billion Muslims across the world the "halal" market alone is worth an estimated US\$2.1 trillion a year and is growing at US\$500 billion annually due to an ever-increasing Muslim population. Muslims are predicted to account for 30% of the world's population by 2025 (Halalfunder²).

¹ Venture capitalists refer to an investor who either provides capital to start-up ventures or supports small companies that wish to expand but do not have access to equities markets (www.investopedia.com)

² One of crowdfunding platforms

Due to the huge market potential, currently there are a number of Islamically inclined or Muslim-owned crowdfunding platforms that exist at every corner of the world such as, LaunchGood based in United States of America, Halalfunder of United Kingdom, Ethis of Singapore, Yomken and Shekra of Egypt and Liwwa of Jordan, to name a few. Table 1 below highlights the global pioneers of the Shariah-compliant crowdfunding platforms.

Table 1: Islamically inclined or Muslim-owned crowdfunding platforms

No	Name	Founded	Country	Type	Focus	Crowdfunded Total (USD)	Successful Campaigns	Social Impact
1	Beehive.ae	2014	UAE	Investment	SMEs	5,000,000	50	Helps SMEs to grow
2	LaunchGood.com	2013	USA	Rewards & Donation	Startups & Creative Projects	4,500,000	429	Many campaigns have strong social impact
3	Eureeca.com	2012	UAE	Investment	SMEs	2,500,000	15	Helps SMEs to grow
4	Ethis	2014	Singapore	Investment & Donation	Real Estate Development	2,200,000	7	Develops Affordable Housing & Wakaf in Asia
5	570easi.com	2014	France	Investment & Donation	SMEs & Education	1,000,000	23	Helps SMEs to grow
6	Zoomaal.com	2013	Lebanon	Donations	Startups & Creative Projects	800,000	60	Many campaigns have strong social impact
7	Liwwa.com	2013	Jordan	Investment	SMEs	500,000	40	Helps SMEs to grow
8	Halalsky.com	2015	USA	Investment	Real Estate	350,000	7	Allows for small investments in Real Estate
9	KapitalBoost.com	2015	Singapore	Investment	SMEs	150,000	8	Helps SMEs to purchase assets

Source: Ethis Presentation on Islamic Crowdfunding, First Avenue, Bandar Utama 24

February 2016

In consideration that Malaysia has taken a bold step in introducing equity crowdfunding legislation, it is essential to undertake a research on developing Shariah-compliant equity model (SCF) for the entrepreneurship development in Malaysia. While Mohd Thas Thaker, M. A., Mohd Thas Thaker, H., & Allah Pitchay, A. (2018) have focused on proposing a crowdfunding-waqf model for the waqf institutions in Malaysia, this study aims to develop SCF targeted for the Muslim entrepreneurs in general.

In developing the SCF, critical assessment is undertaken by examining the current models as offered by the platforms focusing particularly on investment crowdfunding. On this note, it is interesting to highlight on the possible combination of Shariah contracts that can be used based on the different kinds of crowdfunding model, for example, for investment purposes, the equity crowdfunding could use the musharakah concept with small entrepreneurs and start-ups, apart from other debt-based contracts such as murabaha (Marzban et al., 2014). This new development is expected to create another niche in the capital market especially in countries where its major population are Muslim, such as in Indonesia, Malaysia, and the Middle-eastern countries.

Hence, this study aims to propose a SCF model and assess the intention of Muslim entrepreneurs to use the SCF model for their source of funding and whether the SCF would ensure financial sustainability. In order to achieve the objective, survey questions are designed and primary data are collected through a survey on Muslim entrepreneurs in Malaysia. The analysis of the data is conducted by using Structural Equation Modelling through the adaption of Technology Acceptance Model.

Taking the lead in Islamic crowdfunding research in Malaysia, the research is directly associated with the Government policy and effort to further promote a vibrant and accessible financial systems and markets, where the entrepreneurs are having more alternatives in raising capitals apart from bank borrowings or issuing securities. On top of that, this research supports the concerted efforts of the Government to become the international hub for Islamic finance.

The rest of the paper is outlined as follows. Section 2 outlines the justification on developing Shariah-compliant equity-based crowdfunding model, before deliberating the analysis of

acceptance level in Section 3. Section 4 discusses on the data collection with research findings being assessed in Section 5. Then, Section 6 concludes this study.

2. Developing Shariah-compliant Equity-based Crowdfunding Model (SCF)

Islam promotes equity. In Islamic economics, equity should be practiced particularly in the basic question of '*to whom*' the produced goods and services are to be distributed. Similarly, fair participation or equity should also be practiced in the financial system in order to ensure mobility of funds is efficient and in line with the *maqasid as-Shariah*.

Similarly, on the accessibility of funds, one of the mostly discussed issues is the ability of the entrepreneurs to raise sufficient working capital in line with the Shariah principles. Some have argued that the traditional modes of financing as offered by Islamic banks are insufficient to cater for the needs of the Muslim entrepreneurs, particularly those who have just started out their businesses. Statistically, about 55-68 percent of SMEs in developing countries are either financially underserved or not served at all, resulting in lost opportunity to realize their full potential³.

As such, there is a pressing importance to offer alternative solution of capital raising mechanism for the Muslim entrepreneurs to consider. The suitability for SCF to be used especially in countries where Muslims are of majority such as Indonesia is highlighted by Wahjono et al (2015) although there was no specific model proposed to be applied. According to Marzban et al (2014), the most vital elements when introducing an equity-based crowdfunding that is in line with Shariah principles are the contract basis. Hence, Figure 2A and 2B below presents the proposed SCF model that incorporates the crowdfunding qualities with Shariah requirement and current practices. There are three phases namely pre-funding

³ Joint World Bank-Islamic Development Bank Policy Report October 2015 on "Leveraging Islamic Finance for Small and Medium Enterprises (SMEs)"

phase, funding phase and post funding phase involved in the proposed SCF model. Figure 1A below presents the proposed SCF during the pre-funding and funding phases possess the *modus operandi* as follows:

- i. Entrepreneurs who wish to raise funds through Shariah-compliant equity-based crowdfunding will need to establish relationship with a dedicated equity-based crowdfunding platform operator. It is suggested that their relationship will be based on wakalah contract, since the platform will be acting mostly on behalf of the entrepreneur on fund raising activities.
- ii. Upon registering with an approved equity-based crowdfunding platform, the entrepreneurs will undergo an assessment process which is the standard practices in the crowdfunding industry. These involve the screening process, due diligence and Shariah compliance. In the proposed framework, the Shariah compliance is proposed to be undertaken by two parties, namely the equity-based crowdfunding platform as well as an independent Shariah Advisor, to ensure that the business and fundraising causes are in line with Shariah. This is following the current practice of equity-based crowdfunding of which the regulator - Securities Commission of Malaysia, oversees the conduct of fund raising together with the platforms. Should the assessment process gets the approval, it will proceed to the funding phase (see arrow 2A). Otherwise, the whole fund raising initiative will be halted (arrow 2B). It is important to highlight that it is at this stage that appropriate contracts are decided to be used by the entrepreneur to raise the fund target. The proposed contracts to be used could be in the form of murabahah, musyarakah or mudharabah. For each of this contract, specific element should be made transparent for example, if murabahah contract is used, the cost and profit must be clearly disclosed.

- iii. Once the projects are made available on the equity-based crowdfunding platform, investors can start registering themselves and evaluate the projects for the purpose of investments. It is very important to emphasize that at this stage, the equity stake, potential return, exit strategies and other benefits to be obtained by the investors are clearly spelled out. Progress and update throughout the funding period, which normally ranges between 45 to 60 days must also be made available on the SCF platform. During this stage, it is important for the entrepreneurs to keep updating the potential investors on the relevant information, such as the amount of funding secured, the balance of days remaining to make investment, and face-to-face meeting with investors. Should the project meet the investors' appetite, they can pitch their monies through the platform, which normally done via online payment mechanism (including PayPal⁴). In this proposed framework, it follows the "All or Nothing" concept whereby should the fund target is met (arrow 3A) then the contract will be executed. Otherwise, the investors' money will be returned (arrow 3B).
- iv. When the funding phase is concluded and funding target has been achieved (arrow 3A), all the necessary and legal documents must be produced such as the shareholder agreements which clearly spelled out the obligations of the entrepreneurs to their investors. A binding Shariah contract (either musyarakah, mudharabah or murabahah as proposed earlier in pre-funding stage) between the entrepreneur and investors will stipulate all the details relevant to the invested projects.
- v. The collected funds will then be transferred from the equity-based crowdfunding platform to the entrepreneurs, after deducting all related fees.

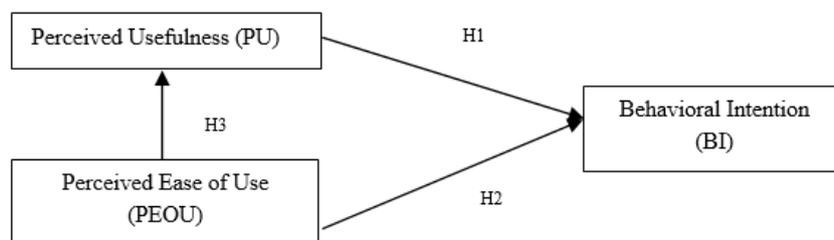
⁴ PayPal Holdings, Inc. is an American company operating a worldwide online payments system that supports online money transfers and serves as an electronic alternative to traditional paper methods like cheques and money orders (*Source: Wikipedia, PayPal website*)

During the post-funding phase, the built relationship among the entrepreneurs and investors are continued to be nourished and strengthened with periodic reporting or updates, board presentations, milestone of financing and so forth. This information can be published via the equity-based crowdfunding platform operators or the entrepreneurs' owned websites as illustrated in Figure 1B below.

3. Analysis of Acceptance Level

The acceptance level of the proposed SCF model is analysed by testing the perceived usefulness and perceived ease of use towards the behavioural intention. This is by adopting and modifying the Technology Acceptance Model (TAM) as introduced by Davis (1989) which provides a basis with which one traces how external variables influence belief, attitude, and intention to use. According to TAM, one's actual use of a technology system is influenced directly or indirectly by the user's behavioral intentions, attitude, perceived usefulness of the system, and perceived ease of the system. In this study, perceived usefulness (PU) and perceived ease of use (PEOU) are tested on the behavioural intention (BI) associated with using the SCF. The relationships are as shown in Figure 2 below.

Figure 2: Analysis of Acceptance Level



PU is defined as the degree to which an individual believes that using a proposed system or model would enhance his or her performance. In the case of SCF, it is expected that the SCF has a positive effect on the performance of the Muslim entrepreneurs in raising fund activities. Hence, SCF has positive impact on the behavior of the Muslim entrepreneurs. Thus, the following hypothesis could be developed:

Hypothesis 1: There is a positive and significant relationship between PU and behavioral intention BI to use SCF.

PEOU is another component of TAM which measures the degree to which a person believes that using a proposed system would be free from effort (Davis, 1989; Davis et.al, 1989). It is expected that those who are using SCF is comfortable or feels convenience in using it. This will induce the Muslim entrepreneurs to use SCF as they perceived using it would be easy.

Hypothesis 2: There is a positive and significant relationship between PEOU and behavioral intention BI to use SCF.

Besides, PU and PEOU are distinct but related constructs. Improvement in PEOU may contribute to improved performance (Lu et.al, 2003). Since improved performance defines PU, PEOU would have a direct positive effect on PU of the system. Thus, the following hypothesis is postulated:

Hypothesis 3: There is a positive and significant relationship between PEOU and PU of the proposed SCF model.

4. Data and Data Sources

In assessing the acceptance level and intention to use SCF model proposed among the Muslim entrepreneurs in Malaysia, a survey is conducted. The survey focuses on measuring the acceptance level of the entrepreneurs if the SCF were to be introduced for their fund raising need. The scope of this research is focused on Muslim entrepreneurs around the state of Selangor and Kuala Lumpur.

There are several parts of the questionnaire namely Part A which collects the demographic information and business profile of the entrepreneurs as to which business types are they involved in, type ownership, number of years in business, estimated annual turnover as well as number of employees. Their level of awareness and experience on crowdfunding will be assessed in Part B whereby if the respondents have ever used crowdfunding to share their business ideas and seek for capital, what were the success rate in obtaining the targeted funds. In addition to that, the entrepreneurs will need to state their preferred marketing strategies, the appropriate marketing materials to be shared with their potential investors as well as the range of funds that they think are appropriate to be raised via the crowdfunding platforms. The final questions in Part B will be on whether they are aware of the equity crowdfunding guidelines that have been issued by SC and the most appropriate form of return on investments for the investors. Part C specifically focused on their awareness and views on SCF, while Part D measures the behavioral intention to use SCF.

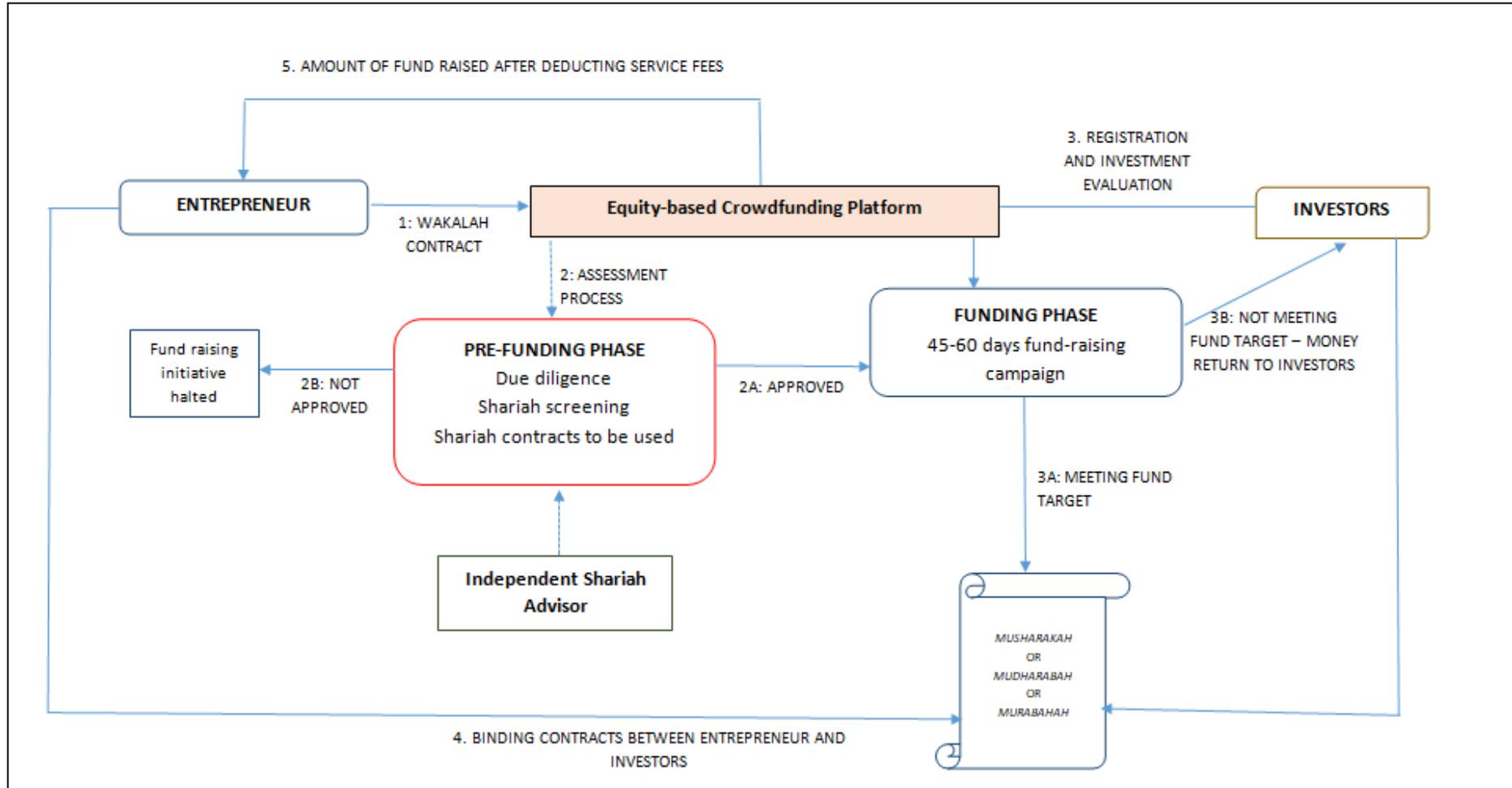
During data collection process, 500 surveys was distributed through the enumerators to Muslim entrepreneurs around the state of Selangor and Kuala Lumpur. Upon data entry process, only about 411 are valid for analysis.

5. Research Findings

Descriptive Analysis

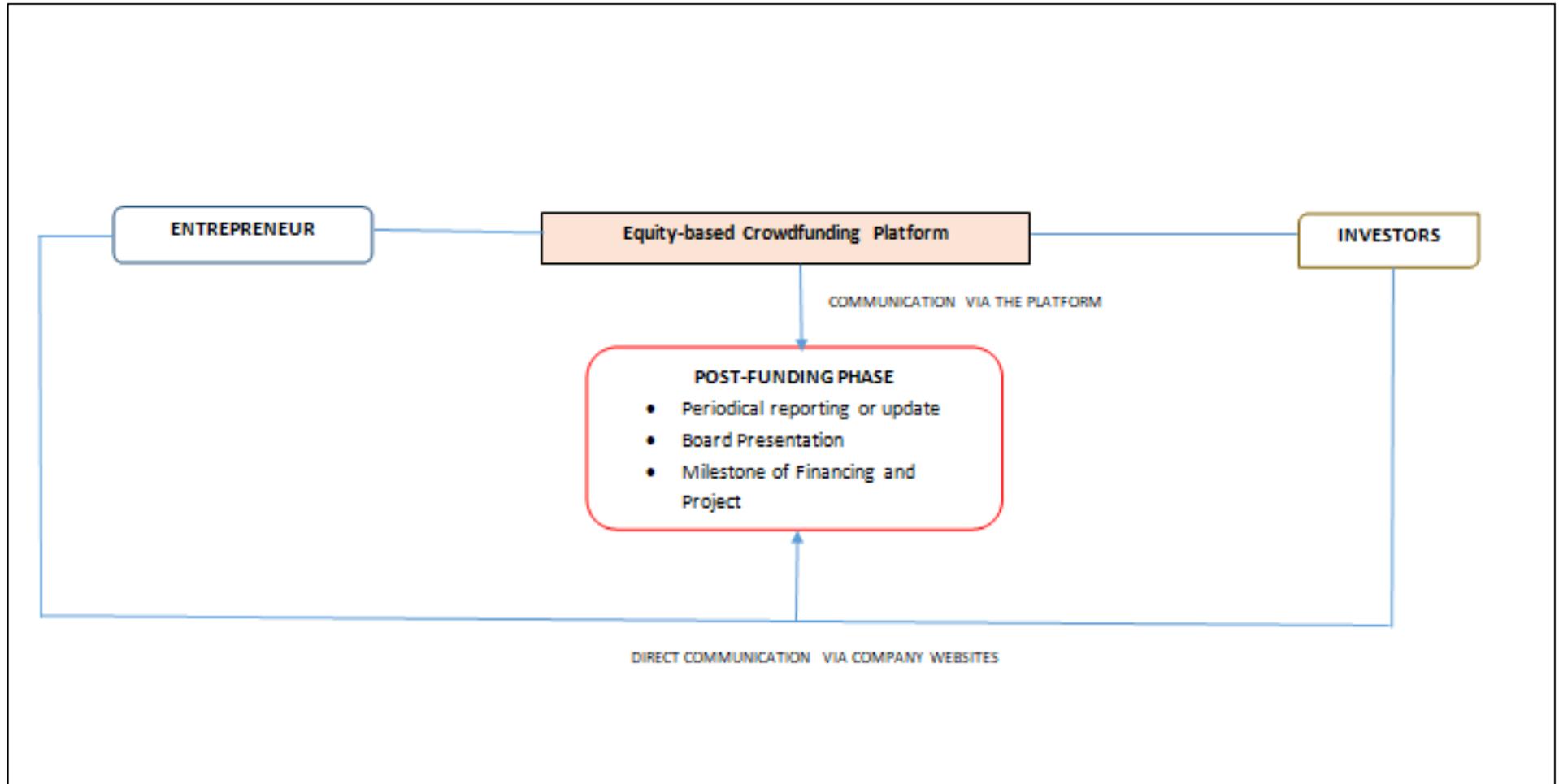
As shown in Table 2 below, majority of the respondents are female which is 65.7 percent with more than 55 percent of the respondents are from young age (20–30 years old). Business activities range from providing services which accounts for more than half of the total respondents with only small percentage involved in agriculture and construction. Most of the entrepreneurs surveyed are sole ownership, and having less than 5 years of business experience. In terms of turnover, half of the entrepreneurs are within the range of RM10,000 to RM50,000 and more than 80 percent of them are operating in smaller scale with less than five employees.

Figure 1A: Proposed SCF Model – Pre-funding and Funding Phases



Source: Authors' illustration

Figure 1B: Proposed SCF – Post-funding



Source: Authors' illustration

Table 2: Distribution of Respondents by Gender, Business Activity, Ownership, Business Years and Turnover

	Number of Respondents	Total (%)
Total	411	100.0
Gender		
Male	141	34.3
Female	270	65.7
Age		
20 - 30 years	227	55.2
31 - 40 years	77	18.7
41 - 50 years	88	20.9
> 50 years	21	5.1
Activity		
Services	208	50.6
Manufacturing	96	23.4
Agriculture	19	4.6
Construction	8	1.9
Others	80	19.5
Ownership		
Sole entrepreneurship	245	59.6
Partnership	123	29.9
Private Limited	28	6.8
Business Years		
0 - 5 years	297	72.3
6 - 10 years	74	18.0
> 10 years	36	8.8
Turnover (RM)		
10,000 - 50,000	298	72.5
50,001 - 100,000	65	15.8
100,001 - 150,000	14	3.4
150,001 - 200,000	6	1.5
200,001 - 300,000	11	2.7

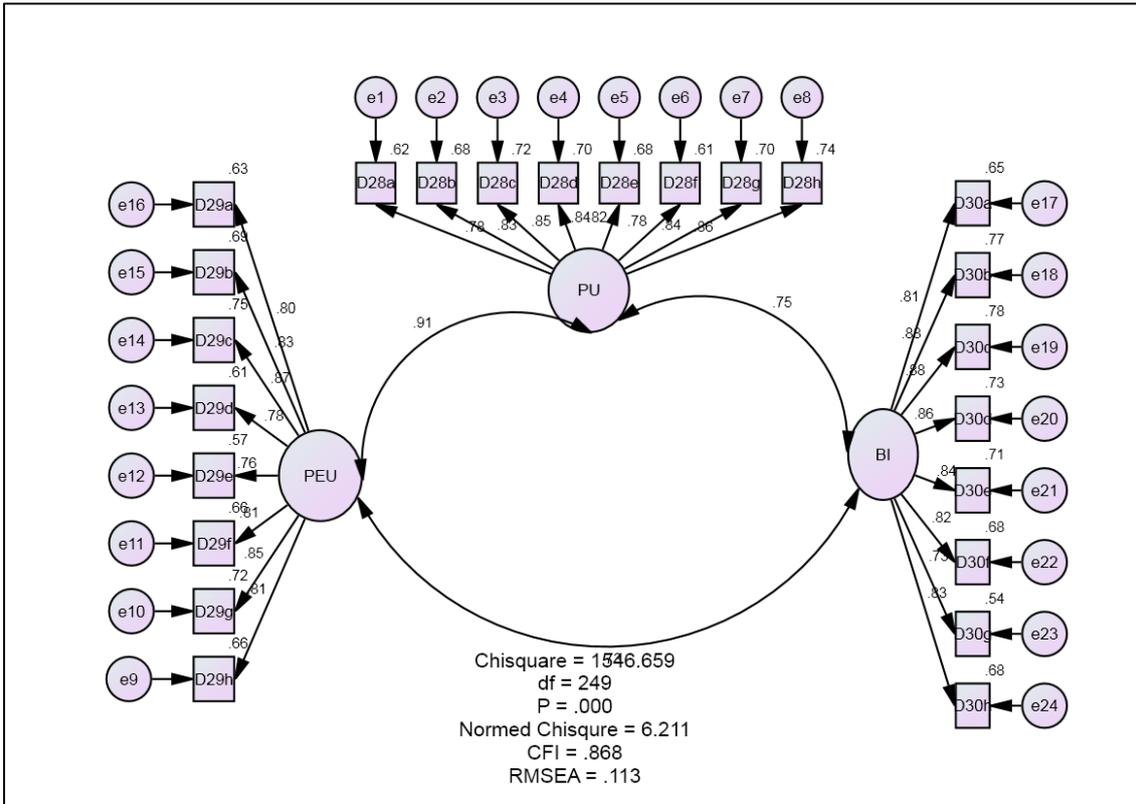
Employee		
1-5	342	83.2
6-10	38	9.2
More than 10	20	4.9

Structural Equation Modelling

Before the structural equation modelling (SEM) is undertaken, all constructs in the measurement model (MM) need to be validated and fulfilled the required fit indices. A structural theory depicts conceptual relationship among constructs in the model. The single headed arrow is used to test the causal effects, while the double headed arrow is used to test the correlation effects among constructs.

The initial measurement model incorporates three latent constructs indicated by respective items pertaining to each scale: PU, PEOU and BI. With reference to Hooper, D., Coughlan, J., & Mullen, M. (2008), the results of goodness-of-fit indices for the initial measurement model are not satisfied, particularly, the Normed χ^2 (6.211) is above the recommended level of less than 5.0. The reason could be due to the factor loading for many items are below 0.70. The comparative fit index (CFI) which looks at the incremental fit in this model is only 0.868, below the recommended value of above 0.9. Apart from that, the absolute fit for the model as indicated by the root mean square error of approximation (RMSEA) is also beyond the acceptance level of 0.08. Hence, the initial measurement model (MM1) for the constructs is said to be poorly fit.

Figure 2: Initial Measurement Model (MM1)



It is therefore suggested that the linkages between the items in the respective constructs be established and the new measurement model needs to be run until the factor loading is improved. The final measurement model (MM2) is performed and the result is presented in Figure 3 with the statistical fitness detailed in Table 3 below. Final MM2 displays a much more reasonable fit for the data.

Figure 3: Final Measurement Model (MM2)

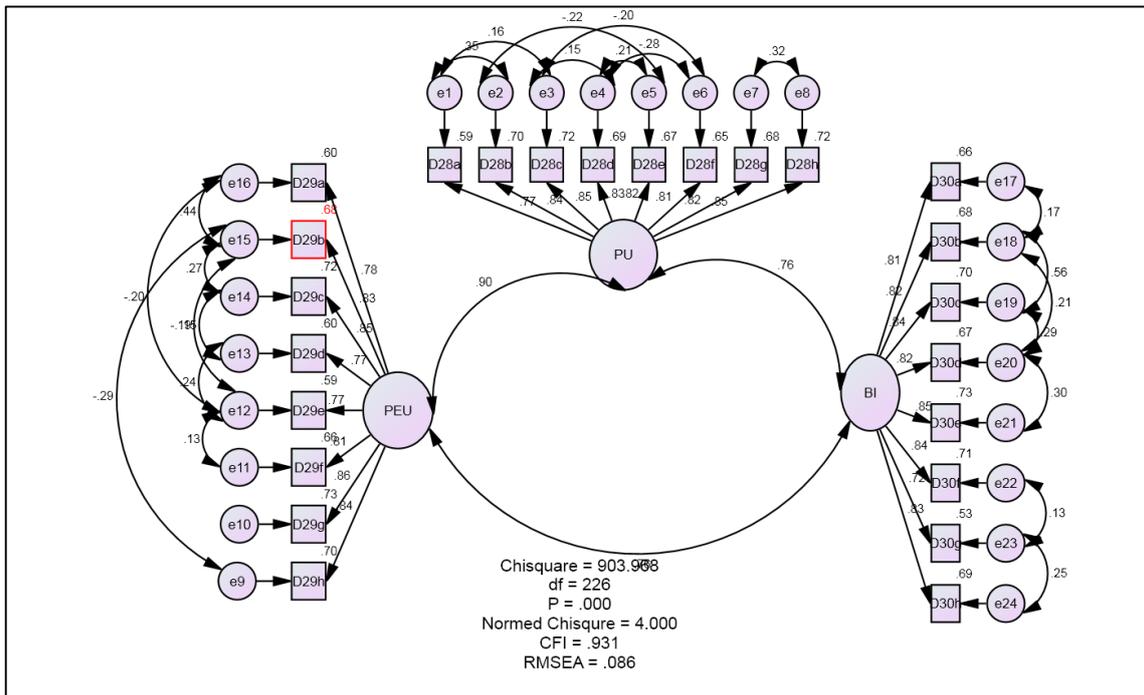


Table 3: Fit indices for Final Measurement Model

Model	χ^2	Df	Normed χ^2	RMSEA	CFI	Comment
Final MM2	903.96	226	4.000	0.086	0.931	The required level is achieved

Once the Confirmatory Factor Analysis (CFA) procedure for every measurement model is completed, the following steps are performed to compute certain measures which assess the validity and reliability of the constructs. As shown in Table 3, the construct reliability values were well above the 0.70 level suggested by Nunnally (1978). All standardized factor loadings emerged fairly high and significant, ranging from 0.725 to 0.853. This suggested convergence of the indicators with the appropriate underlying factors (Anderson and Gerbing, 1988). The average variance extracted (AVE) values for each construct were all above 0.50

(Fornell and Larcker, 1981). Overall, these results showed strong evidence of the uni-dimensionality, reliability, and validity of the measures.

Table 4: The CFA Results for the Measurement Model

Construct	Items	Factor Loading	Cronbach Alpha (Above 0.7)	CR (Above 0.6)	AVE (Above 0.5)
Perceived Usefulness (PU)			0.944	0.944	0.678
	PU1	0.770			
	PU2	0.835			
	PU3	0.848			
	PU4	0.833			
	PU5	0.819			
	PU6	0.808			
	PU7	0.822			
Perceived Ease of Use (PEOU)			0.940	0.940	0.661
	PEU1	0.855			
	PEU2	0.814			
	PEU3	0.770			
	PEU4	0.774			
	PEU5	0.847			
	PEU6	0.827			
	PEU8	0.776			
Behavioural Intention (BI)			0.947	0.942	0.670
	BI1	0.813			
	BI2	0.823			
	BI3	0.836			
	BI4	0.818			
	BI5	0.853			
	BI6	0.842			
	BI7	0.725			
BI8	0.833				

Subsequently, a structural equation model (SEM) is then estimated to test the hypotheses of study. The goodness-of-fit statistics of the proposed model showed that the model reasonably fits the current data. Chi-square value of the model ($\chi^2 = 903.968$, $df = 226$, $p = 0.000$) and

other goodness of fit indices (Normed $\chi^2 = 4.000$; RMSEA = 0.086; CFI = 0.931) revealed that the model fit the data reasonably well. The structural results of the proposed model are depicted in Figure 4 below.

Based on Hair et al. (2006), the proposed hypotheses are examined by looking at the significance, signs, and the magnitude of the estimated coefficients. The path coefficients of the structural model have been measured to assess the statistical significance of the path coefficients. Path coefficients are standardized versions of linear regression weights which can be used in examining the possible causal linkage between statistical variables in the structural equation modelling approach. The standardization involves multiplying the ordinary regression coefficient by the standard deviations of the corresponding explanatory variable: these can then be compared to assess the relative effects of the variables within the fitted regression model. The results of the hypothesis testing based on SEM are as shown in Table 5 below.

Figure 4: Structural Equation Modelling

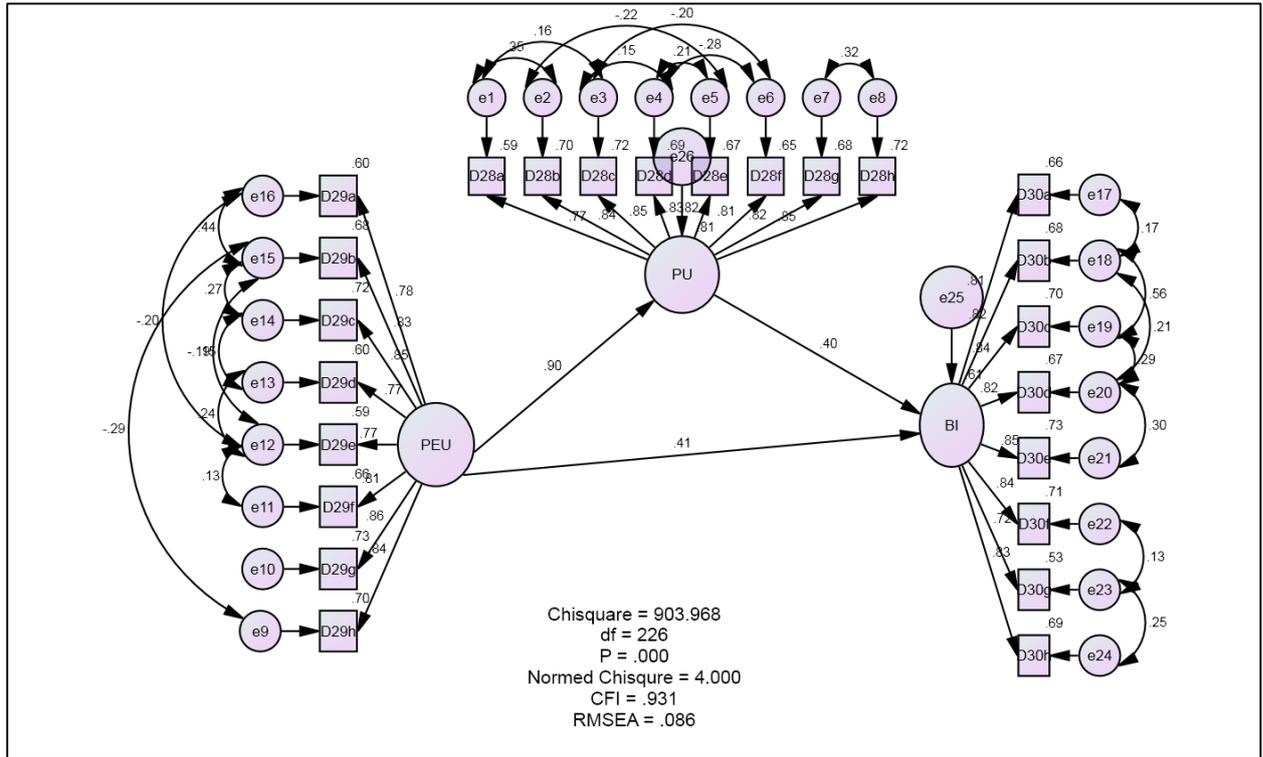


Table 5: Results of Hypothesis Testing

Hypothesized Path		Standardized Coefficient	t- value	p-value	Decision
H1	Perceived usefulness (PU) → Behaviour Intention (BI)	.442	3.91*	0.000	PU and BI are significant and positively related
H2	Perceived Ease of Use (PEOU) → Behaviour Intention (BI)	.284	4.02*	0.000	PEOU and BI are significant and positively related
H3	Perceived Ease of Use (PEOU) → Perceived usefulness (PU)	0.564	16.44*	0.000	PEOU and PU are significant and positively related

Notes: *p-value < 0.01

Hypothesis 1: There is a positive and significant relationship between PU and behavioral intention BI to use SCF.

The result on the relationship between PU and BI is statistically significant ($\beta_1 = 0.44$, t-value = 3.91, $p < 0.00$) and supporting the research hypothesis as shown in Table 6 above. The result of standardized coefficient shows that if PU goes up by 1 standard deviation, behavioural intention goes up by 0.44 standard deviations. It is perceived that the proposed SCF model has positive effect and useful for Muslim entrepreneurs in their fund raising activities. This finding is in line with Vulkan (2016) which found the significance of equity-based crowdfunding model in the Europe.

Hypothesis 2: There is a positive and significant relationship between PEU and behavioral intention BI to use SCF.

Similarly, PEOU and BI are found to be significantly related positively from PEOU and BI ($\beta_1 = 0.28$, t-value = 4.02, $p < 0.00$). The belief that using a proposed SCF would be comfortable and easy will induce the person to use the proposed SCF by the Muslim entrepreneurs.

Hypothesis 3: There is a positive and significant relationship between PEOU and PU of the proposed SCF model.

Finally, the PEOU and PU are found to be positive related significantly ($\beta_1 = 0.56$, t-value = 16.4, $p < 0.00$). Improvement in perceived ease of use may contribute to improved performance and use (Lu et.al, 2003) and this is proven from the results obtained. The proposed SCF model from the perspectives of Muslim entrepreneurs in Malaysia is useful

and easy to be used are believed to be contributing to the improvement in fund raising activities and provide better alternative to the Muslim entrepreneurs.

6. Conclusion

This study aims to propose a SCF model and assess the intention of Muslim entrepreneurs to use the model to achieve source of financing and towards financial sustainability. To achieve the objectives, survey questions are designed and primary data are collected through a survey on a sample of Muslim entrepreneurs in Malaysia. The analysis of data is conducting using SEM by adapting TAM.

Based on the analysis, it is found that perceived usefulness and perceived ease of use have positive effect on the behavioral intention to use the proposed SCF model by Muslim entrepreneurs in Malaysia. Similar results are found between perceived usefulness and behavioral intention to use the proposed SCF. Hence, it is concluded that the respondent's perceptions on the usefulness and ease of use positively affect the behavioral intention of using the new model. The openness of Muslim entrepreneurs to the idea of SCF could be due to the fact that most of the respondents are young and receptive to the idea of enhancing their business funding sources.

This paper makes two main contributions to the existing literature. First, it presents the newly developed SCF model to be proposed to Muslim entrepreneurs in Malaysia. Second, their acceptance level of the SCF model are analysed through TAM and SEM which contributes to the literature on the development of entrepreneurs in Malaysia.

Taking the lead in Islamic crowdfunding research in Malaysia, the research is directly associated with the Government policy and effort to further promote a vibrant and accessible

financial systems and markets. On top of that, this research also supports the concerted effort of the Malaysian Government to become the international hub for Islamic finance.

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Appendix

Table A: Four main types of crowdfunding models

Types of crowdfunding	Descriptions
Donations-based	Typically backers support an initiative through donations from a purely philanthropic perspective without any expected future compensation
Reward-based	Backers receive an appreciation for supporting an initiative such as receiving gift, acknowledgement for support or being provided with the products or services developed.
Lending-based	An investment vehicle through which crowds investors provide loans to startups or small enterprises to support their ventures in exchange for receiving returns in the form of interest payments.
Equity-based	Similar to lending-based crowdfund investing, crowd investors are supporting startups or small enterprises for a financial gain. Within an equity-based investment, the investors receive shares in the venture financed and are thus part of a profit-and-loss sharing agreement with the funded startup. This type of crowd investing has to a large extent parallels with the venture capital

industry, which is also equity-based.

Source: World Bank (2013), Rahman et al (2016)